

25 October 2016

# Quarterly Report

## To 30 September 2016

### HIGHLIGHTS

#### FINANCIAL PERFORMANCE

##### **Continued sales growth and improved cash position**

- Sales of \$13.4 million for Q1 FY17, up 6% on Q1 FY16.
- Closing cash of \$8.1 million, up from \$7.6 million 30 June, 2016.
- Inventory reduced \$1.0 million from 30 June 2016 to \$10.9 million.
- Total capex spend of \$0.6 million.
- Total R&D and product development investment of \$1.3 million.
- Firm order book in excess of \$115 million at 30 September 2016.

#### AEROSPACE MANUFACTURING

##### **Joint Strike Fighter (JSF) production**

- A total of 256 parts delivered for the quarter, 72% up on the pcg
- 179 parts JSF fuselage parts delivered in Q1 up 20% on the pcg
- 77 vertical tail components delivered
- Monthly production record in September, exceeding 100 parts milestone (FY16 average: 49 parts)

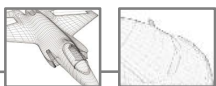
##### **Lockheed Martin C-130J production**

- 7 ship-sets delivered in Q1, compared to 10 in the prior corresponding period (pcg)

#### NEW TECHNOLOGY

##### **Key Activities**

- Ten sets (190 components) of Thales Hawkei body parts completed
- Automotive panel projects in prototype tooling phase
- KIST project on track for factory acceptance testing November and delivery in December
- Production of initial 660 Ford components completed
- Seat back panel development parts completed for RapidQure development activities
- Several development projects underway with OEM and Tier-one customers



## **1.0 FINANCIAL PERFORMANCE**

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### **1.1 Q1 SALES IN LINE WITH EXPECTATIONS**

Production of parts for the F-35 Lightning II Joint Strike Fighter (JSF) continued to grow, offsetting C-130J Hercules return to long-term rates. Sales for Q1 FY17 were \$13.4 million, in line with expectations and 6% up on the same quarter last year.

### **1.2 FIRM ORDER BOOK**

At 30 September 2016, Quickstep's firm order book was valued in excess of \$115 million.

## **2.0 AEROSPACE MANUFACTURING**

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### **2.1 JSF**

Quickstep is the key supplier globally to Northrop Grumman for 21 JSF components including doors, panels, skins and other composite parts for the JSF program. Quickstep will also supply 700 sets of vertical tails composite parts including skins, spars and fairings over the next 14 years under an agreement with BAE System's supplier, Marand Precision Engineering.

In Q1 FY17, Quickstep delivered 256 parts compared to 149 parts in Q1 FY16, an increase of 72%. Production for JSF is accelerating and is expected to increase significantly over the next three years.

### **2.2 C-130J**

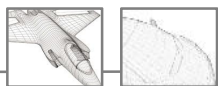
Quickstep is the exclusive supplier of composite wing flaps to Lockheed Martin for the C-130J Hercules aircraft under an initial five- year memorandum of agreement (MoA) which has now been extended through to 2019 in line with Lockheed Martin's C-130J Multiyear II contract with the US Department of Defense.

During the first quarter, 7 ship-sets were delivered, consistent to plan.

### **2.3 CAPITAL EXPANSION AND GROWTH OPPORTUNITIES**

Quickstep continued its capital expenditure program at its Bankstown site to accommodate higher levels of contracted production for the JSF program. The capital expenditure program is expected to be completed in the financial year.

Quickstep is engaged with its current customer base for growth opportunities on new and existing platforms and other defence projects. In Q1, the Aerospace Manufacturing business was awarded additional vertical tail component volumes from BAE Systems worth US\$1.3 million for delivery over the balance of this financial year. This shows a strong confidence in Quickstep's start-up in vertical tails manufacturing post the qualification in Q4 of FY16.



## 3.0 NEW TECHNOLOGY

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### 3.1 NEW TECHNOLOGY UPDATE

Quickstep has made a significant investment in the commercialisation of its advanced manufacturing processes, with 30 technical and process manufacturing staff working on New Technology product development and project deployment in Waurin Ponds and Germany. The key areas of focus are:

- Working with global customers on prototype tooling and parts development to ensure customer specifications can be delivered at higher volume levels
- Developing optimised materials and resin solutions to meet specifications at target cost
- Development of complementary processes to increase throughput capability in conjunction with Qure and RST processes
- Materials screening, testing and development with key supply partners to automotive and aerospace customers

### 3.2 CURRENT PROJECTS STATUS

**Thales Hawkei:** Quickstep completed the first 10 full sets of composite body parts for the Hawkei military vehicle in the quarter. These will be used on test and evaluation vehicles. This is the first project where the Company's patented Resin Spray Transfer (RST) is being used in production.

**KIST Equipment:** The Korea Institute of Science and Technology (KIST) project is on track and will see Quickstep deliver an RST cell & Qure machine to KIST by the end of 2016. This project opens up opportunities for Quickstep to partner and manufacture in South Korea, one of the world's largest automotive production markets.

### 3.3 RAPIDQURE UPDATE

Quickstep is continuing the commercialisation of its New Technology manufacturing through its maturing RapidQure process. Substantial progress has recently been made on increasing the heating rate of Qure technology, using an isothermal process. In conjunction with rapid curing resins, Isothermal Qure will allow a 30-minute cure time with further optimisation opportunities in development. The recently announced seating development project with Futuris Automotive will focus on utilizing latest manufacturing processes to deliver annual volumes in excess of 20,000 units/annum.

### 3.4 NEW BUSINESS

Projects currently underway include composite seat structures, a composite front fender and composite body panels.

## 4.0 CORPORATE

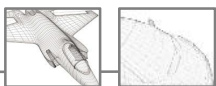
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### 4.1 CASH POSITION

At the end of the quarter, the consolidated group cash balance was \$8.1 million versus \$7.6 million 30 June 2016. The company also held \$1.0 million in restricted term deposits to be held to maturity.

### 4.2 Q1 CASHFLOW

Operating cashflow for Q1 was \$1.2 million, including an inventory decrease of \$1.0 million, being the first stage of the \$2.0 million decrease targeted for 31 December 2016. The business continues to invest in R&D and product development, with \$1.3 million spent during the quarter, up \$0.8 million versus the same quarter last year. Total capex spend for the quarter was \$0.6 million, as the business completes installation of new equipment at Bankstown to facilitate JSF growth.



## 5.0 OUTLOOK

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Sales for Q2 FY17 are expected to be in line with Q1.

Quickstep's long-term vision is to become a world leader in advanced composites manufacturing and the Company is focused on expanding its business in the aerospace, defence, automotive and other transport sectors. The company's FY17 priorities and targets are:

### 1. Aerospace Manufacturing

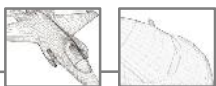
- Complete the capital investment plan to support JSF growth
- Leverage existing customer relationships on new project opportunities
- Surpass volumes of 100 parts per month for JSF
- Reduce inventory and improve manufacturing efficiencies

### 2. New Technology

- Deliver Qure & RST to KIST
- 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 initiatives
- Continue commercialisation of New Technology manufacturing through maturing of RapidQure process

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-ENDS-



**For further information:**

**Investors**

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**Background on Quickstep Holdings Limited**

Quickstep Holdings Limited (ASX: QHL) is an Australian publicly listed company, at the forefront of advanced composites manufacturing and technology development. Quickstep is the largest independent aerospace-grade advanced composite manufacturer in Australia, partnering with some of the world's largest Aerospace/Defence organisations including: Lockheed Martin, Northrop Grumman, BAE Systems and Airbus.

Quickstep operates from state-of-the-art aerospace manufacturing facilities at Bankstown Airport in Sydney, NSW; a newly established production site for automotive parts manufacturing and R&D/ process development centre in Waurin Ponds, Victoria; and a development and customer support operation in Munich, Germany.

Quickstep is an approved supplier for the international F-35 Lightning II Joint Strike Fighter (JSF) program - the largest military aerospace program in the world, valued in excess of US\$300 billion worldwide. The company has also been selected by Lockheed Martin as the sole supplier of composite wing flaps for the C-130J "Super Hercules" military transport aircraft.

Quickstep has developed significant capabilities and expertise in the production of aerospace grade, advanced composite components, using both conventional autoclave-based manufacturing and leading out-of-autoclave production technologies (developed in-house and patented).

Automotive activities include contracts with Ford Australia for a carbon fibre air intake duct and the development and supply of a range of composite parts and assemblies for the Thales Hawkei military vehicle.

## 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**

<b>QUICKSTEP HOLDINGS LIMITED</b>
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**ABN**

<b>55 096 268 156</b>
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**Quarter ended ("current quarter")**

<b>30 SEPTEMBER 2016</b>
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	15,644	15,644
1.2 Payments for		
(a) research and development	(1,270)	(1,270)
(b) product manufacturing and operating costs	(8,770)	(8,770)
(c) advertising and marketing	(32)	(32)
(d) leased assets	(65)	(65)
(e) staff costs	(3,812)	(3,812)
(f) administration and corporate costs	(601)	(601)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(8)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	127	127
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,216</b>	<b>1,216</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(592)	(592)
(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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(592)</b>	<b>(592)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,578	7,578
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,216	1,216
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(592)	(592)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(59)	(59)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>8,143</b>	<b>8,143</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	8,143	8,143
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,143</b>	<b>8,143</b>

**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**

282

-

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**

-

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N/A



**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (capitalised interest)

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.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
10,000	9,500
-	-
3,333	1,977

The Group has a single loan facility: -

A \$10,000k facility with additional capability to capitalise interest up to \$3,333k which is partly utilised. \$500K has been repaid to date. The loan is secured with Efic (Export Finance and Insurance Corporation) as guarantor and the ANZ Bank as financier. Interest is variable at a capped rate with a fixed margin and guarantee payable. The effective rate is currently 8.4%.

**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1 Research and development

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

9.4 Leased assets

9.5 Staff costs

9.6 Administration and corporate costs

9.7 Other (provide details if material)

**9.8 Total estimated cash outflows**

(1,367)

(6,632)

(40)

(55)

(4,895)

(763)

-

**(13,752)**

**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

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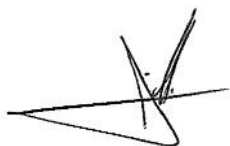
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### **Compliance statement**

- 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: 25 OCTOBER 2016

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.