

Quickstep delivers \$2.7m profit on 24% sales growth

- NPAT \$2.7 million and EPS of 0.44c
- Sales \$73.3 million
- \$5.8 million EBITDA
- Revenue and profit to grow in FY20

Sydney, 26 August 2019 – Quickstep Holdings Limited (ASX:QHL), Australia's leading independent manufacturer of advanced carbon fibre composite components, today announced a maiden full year net profit of \$2.7 million for FY19 on total sales of \$73.3 million, up 24% from \$59.0 million in FY18. NPAT of \$2.7 million represents a \$5.6 million improvement on FY18 including a \$4.4 million lift in EBITDA and \$1.0m tax benefit reflecting future taxable income. The company has also delivered its first full year of positive operating cash flow.

Mark Burgess, CEO and Managing Director of Quickstep, said: "In FY2019 we delivered across all key metrics and shifted the business to sustainable profitability amid continuing growth. This marks a significant turning point for Quickstep".

"I am immensely proud of what our team has achieved in FY2019 and I am truly excited about the ongoing growth of the Quickstep group over the next five years." added Mr Burgess.

Production ramps up

Revenue from the group's JSF contracts for FY19 was \$53.0 million, up 37% from \$38.6 million in FY18. JSF revenues are expected to further increase in FY20, albeit at a more modest rate, reaching full rate production over the next 6 to 9 months. C-130J wing flaps production continued at the long-term rate of two ship-sets per month.

During the year the company manufactured parts for Boeing Defense on the F/A-18 and F-15 programs and introduced production of accessibility ramps using Qure technology for Lockelec, supplier to a number of Australian rail operators.

Significant improvements in gross margin and EBITDA

FY19 gross margin of 22.3% (6.5% points improved on FY18) has been achieved through a combination of efficiency gains, process improvements, economies of scale and cost reductions, despite a challenging operating environment mid-way through the year as a consequence of the 3 month long repair to a key production item. As production ramps up further we expect margins to continue to improve. The \$7.1 million lift in gross margin has underpinned a \$4.6m year on year increase in EBITDA to \$5.8 million.

Positive operating cash flow and much stronger balance sheet

Quickstep has delivered \$0.4 million operating cash flow for FY19, its first full year positive result, and at 30 June 2019 reported net debt of \$0.3m, a reduction of \$11.2 million from 31 December 2018. Operating cash flow improved year on year by \$1.0 million despite a \$3.1 million increase in working capital, principally inventory to support growth. The much improved debt position is in large part attributable to the successful share placement and Share Purchase



Plan (SPP) in early 2019 that raised \$11.7 million net of fees. The company is well positioned to exploit the very healthy pipeline of new business opportunities and invest judiciously in Research and Development.

Summary Financial results for FY19

AUD Millions	FY19	FY18	CHANGE	
Revenue	73.3	59.0	14.3	↑
Gross Margin	16.4	9.3	7.1	↑
Gross Margin %	22.3%	15.8%	6.5%	↑
EBITDA	5.8	1.2	4.6	↑
EBIT	3.9	-1.3	5.2	↑
NPAT	2.7	-2.9	5.6	↑

New business update

The \$7 million MJU-68 flare housing facility will progress to final commissioning through September with first article production units due for delivery in November 2019. A proposal submission to Chemring Australia for full-rate production of MJU-68 flare housings is anticipated in mid-FY20.

Based on the progress of confidential negotiations, we expect to see significant new business awards in FY20. Quickstep has a clear strategy to grow revenue and diversify its customer base in the Defence and Aerospace sectors, 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 (both in Defence and Commercial Markets) and supply chain resources in the US.

Outlook

Quickstep's FY20 revenue is currently forecast to grow between 8% and 10% with upside potential dependent on timing and scope of new business awards. Gross margins are expected to continue to improve through economies of scale, further cost reductions and increasing efficiencies. Over FY20 the group expects to deliver EBITDA returns of between 8% and 10% of sales, positive NPAT as well as a material increase in operating cash flow. This is subject to the impact of AASB16, which is currently under review.

-ENDS-



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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