

# INVESTORS PRESENTATION

August 2019







## YOUR PRESENTATION TEAM



**MARK BURGESS**  
**Managing Director and CEO**

Joined Quickstep in May 2017

Global aerospace and defence experience

Previously with Honeywell & BAE Systems

Extensive experience in Europe, USA,  
Middle East and Asia Pacific



**ALAN TILLEY**  
**Chief Financial Officer**

Joined Quickstep in June 2018

Previously with Brambles, NRMA and Murray  
Goulburn (interim)

Multi-sector experience spanning manufacturing,  
B2B services and FMCG in Australia and Europe

Broad experience spanning P&L responsibility,  
Finance, Treasury, Technology and Risk



OUR FOCUS  
Advanced Composite Materials



Defence aerospace



Commercial aerospace



Other advanced sectors



## OUR CUSTOMERS

“*Chemring's partnership with Quickstep demonstrates the very best in advanced manufacturing in Australia.*”

Joe Farrah, Managing Director,  
Chemring Australia

“*Northrop Grumman & Quickstep are continuing to develop a Strategic Partnership to deliver world-leading manufacturing capability to key Aerospace Programs.*”

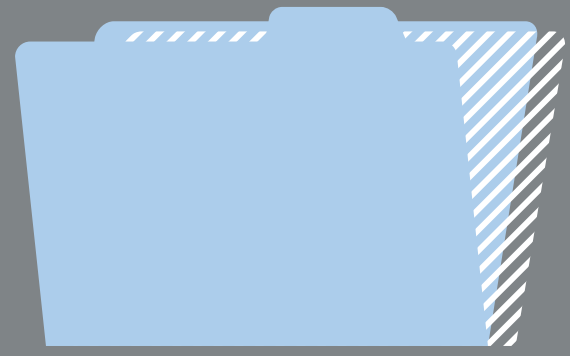
Chris Deeble, Chief Executive Officer,  
Northrop Grumman Australia

**BAE SYSTEMS**

***NORTHROP GRUMMAN***

**Chemring**  
Australia





AT A GLANCE

3

Locations

230+

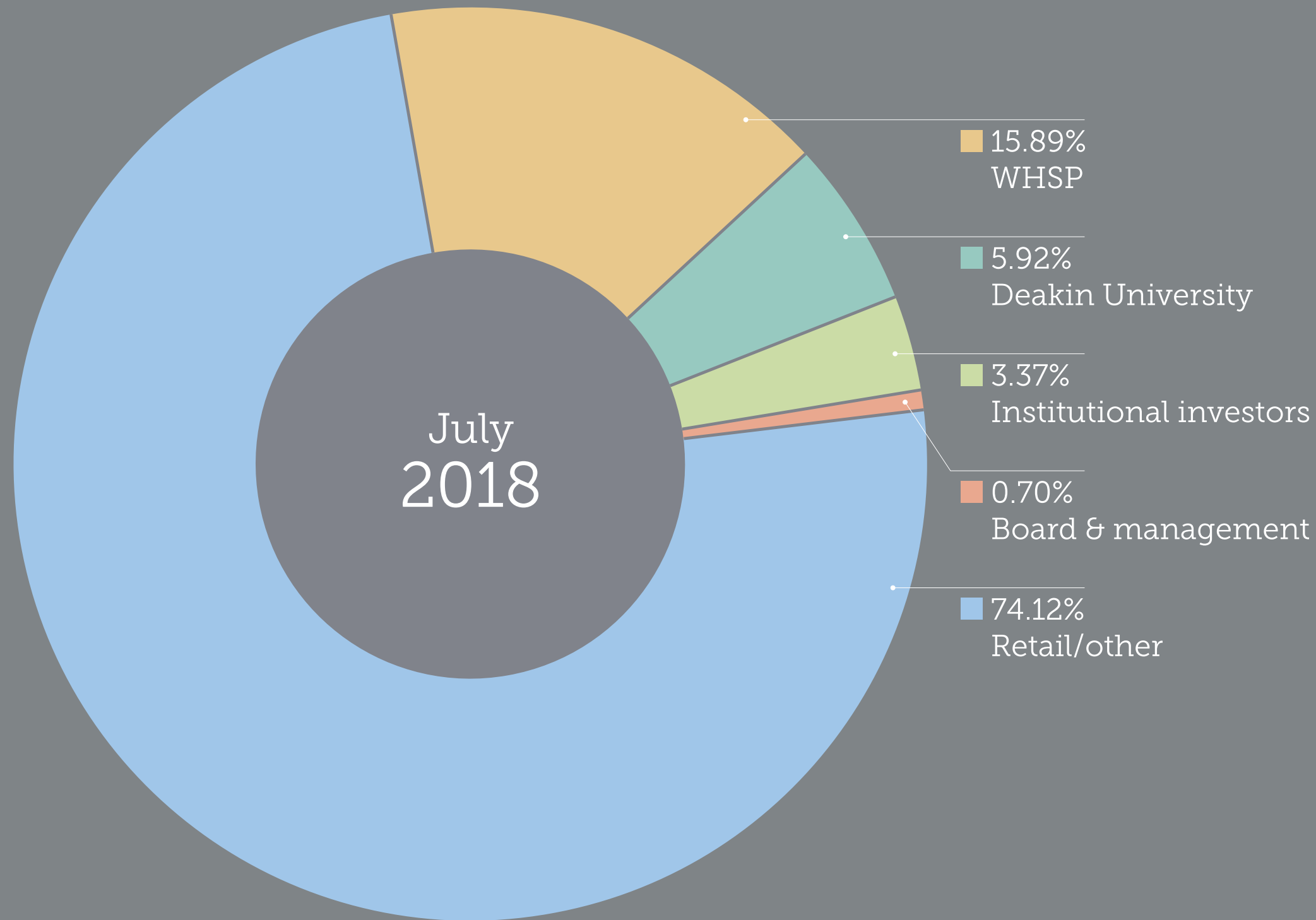
Employees

>90%

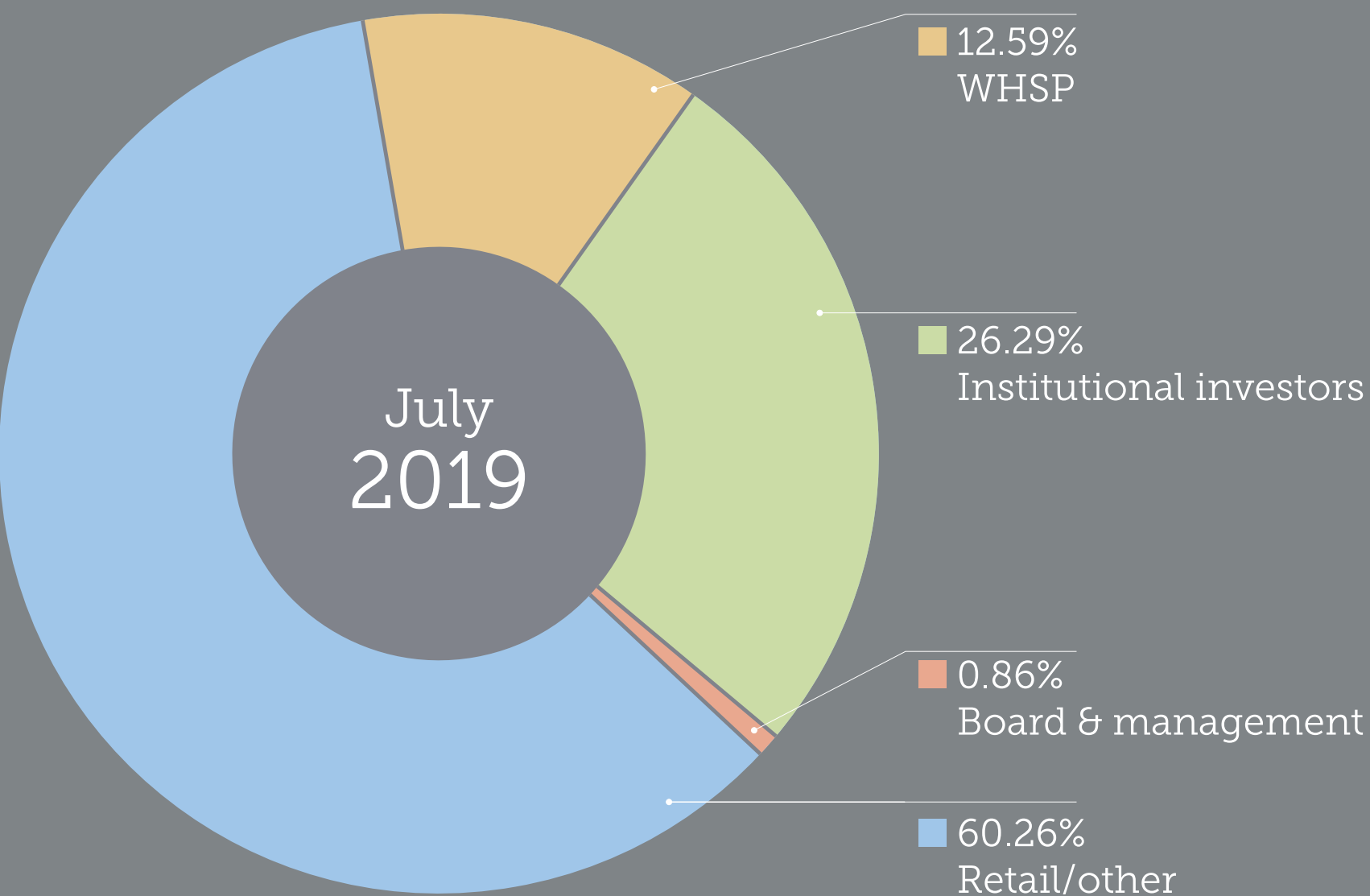
Exports



SHAREHOLDERS



5,558  
shareholders



4,197  
shareholders



INVESTMENT CASE



Long dated contracts  
on key programs



High degree of mid-  
term revenue certainty



High barriers to entry



Excellent reputation  
with customers



Healthy pipeline of  
near-term growth  
opportunities



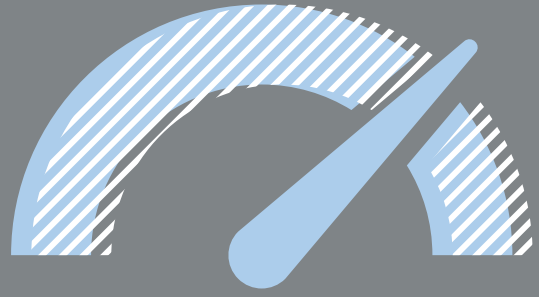
Balance sheet repaired



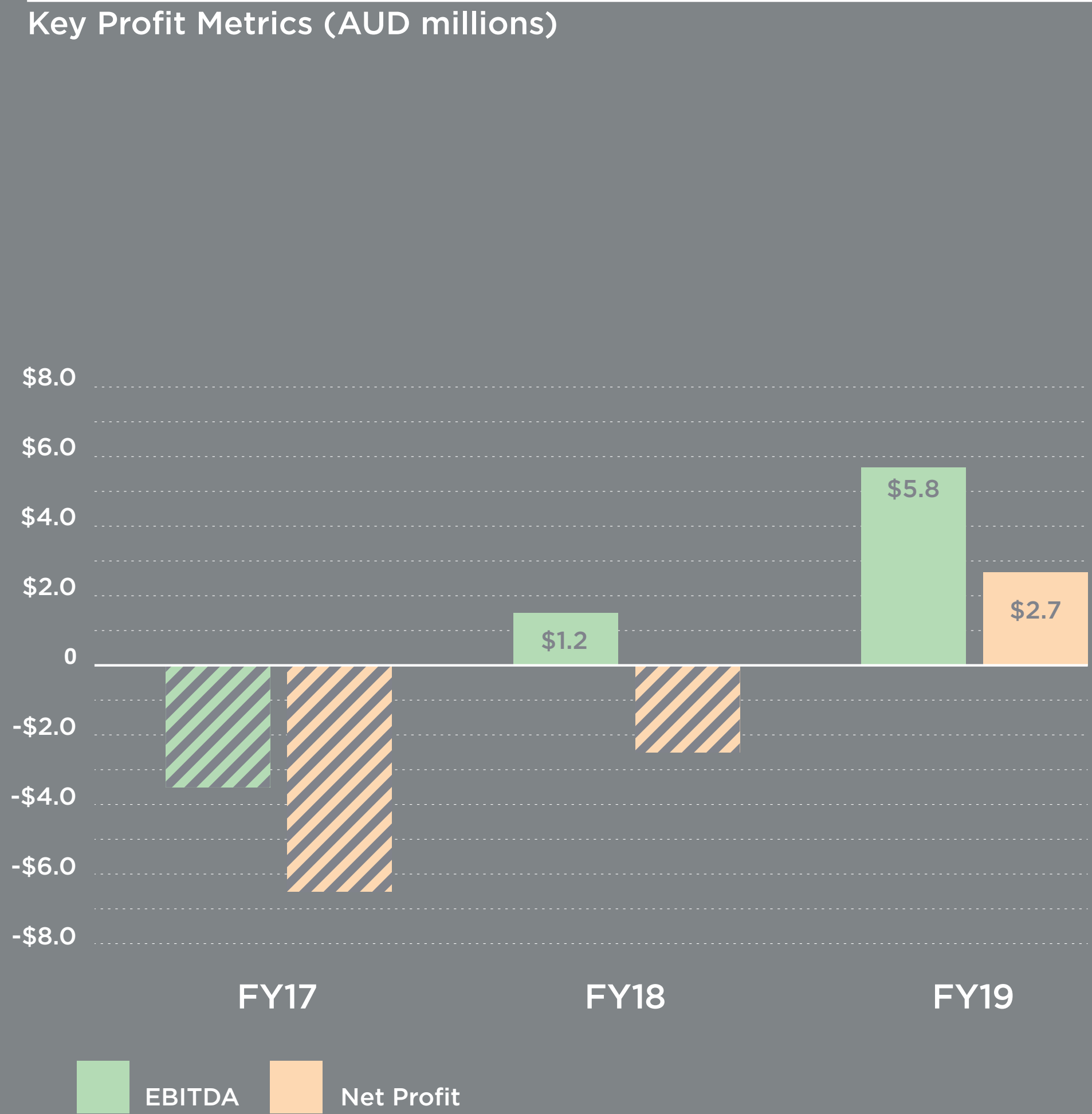
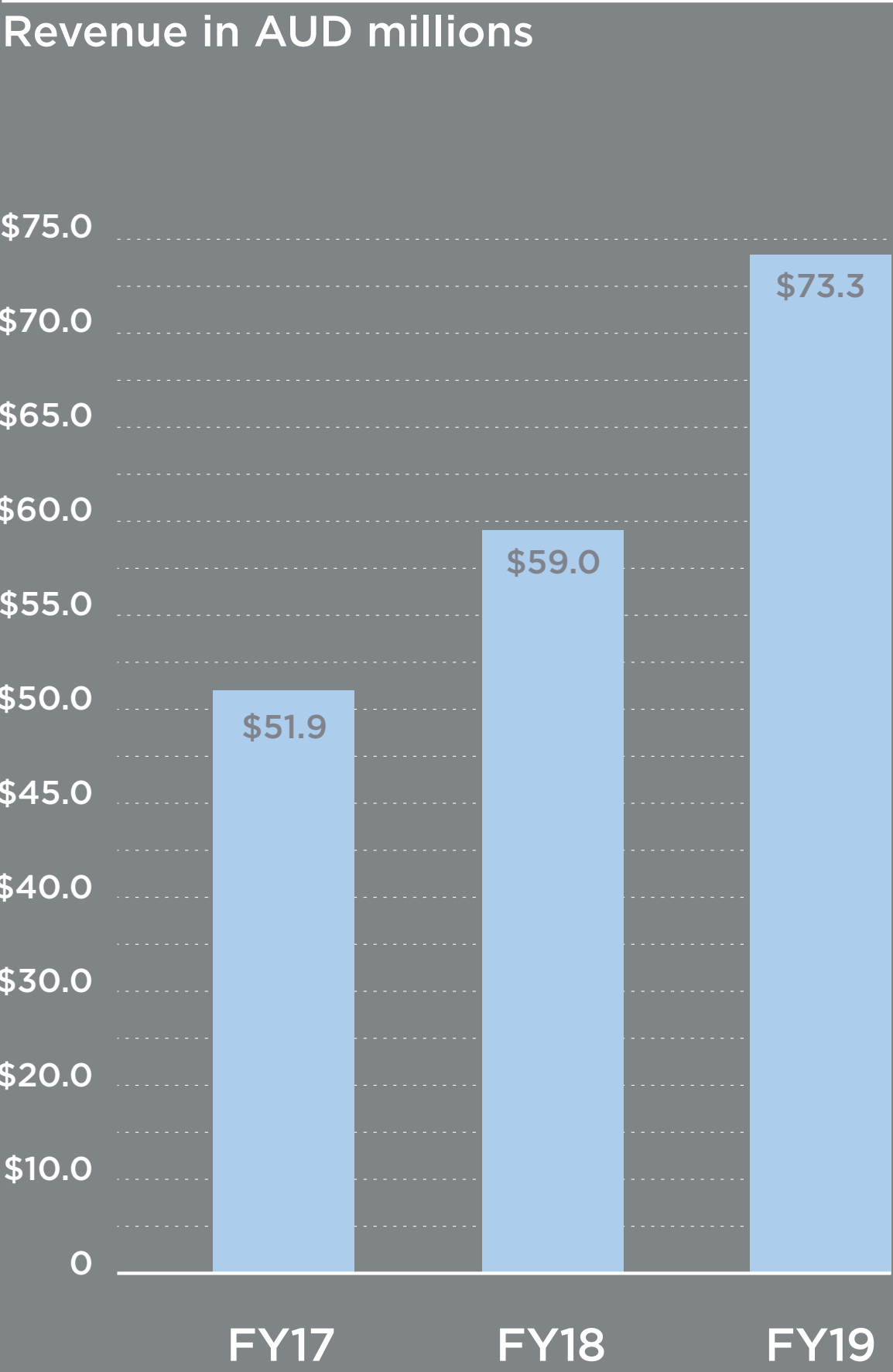
Strong financial position

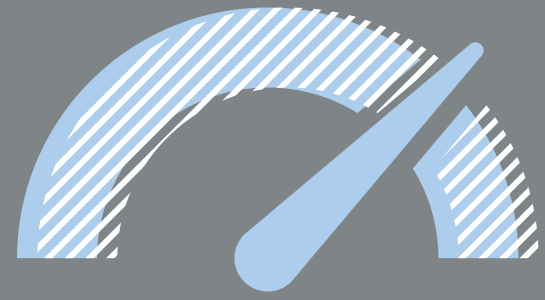


New globally experienced  
management team

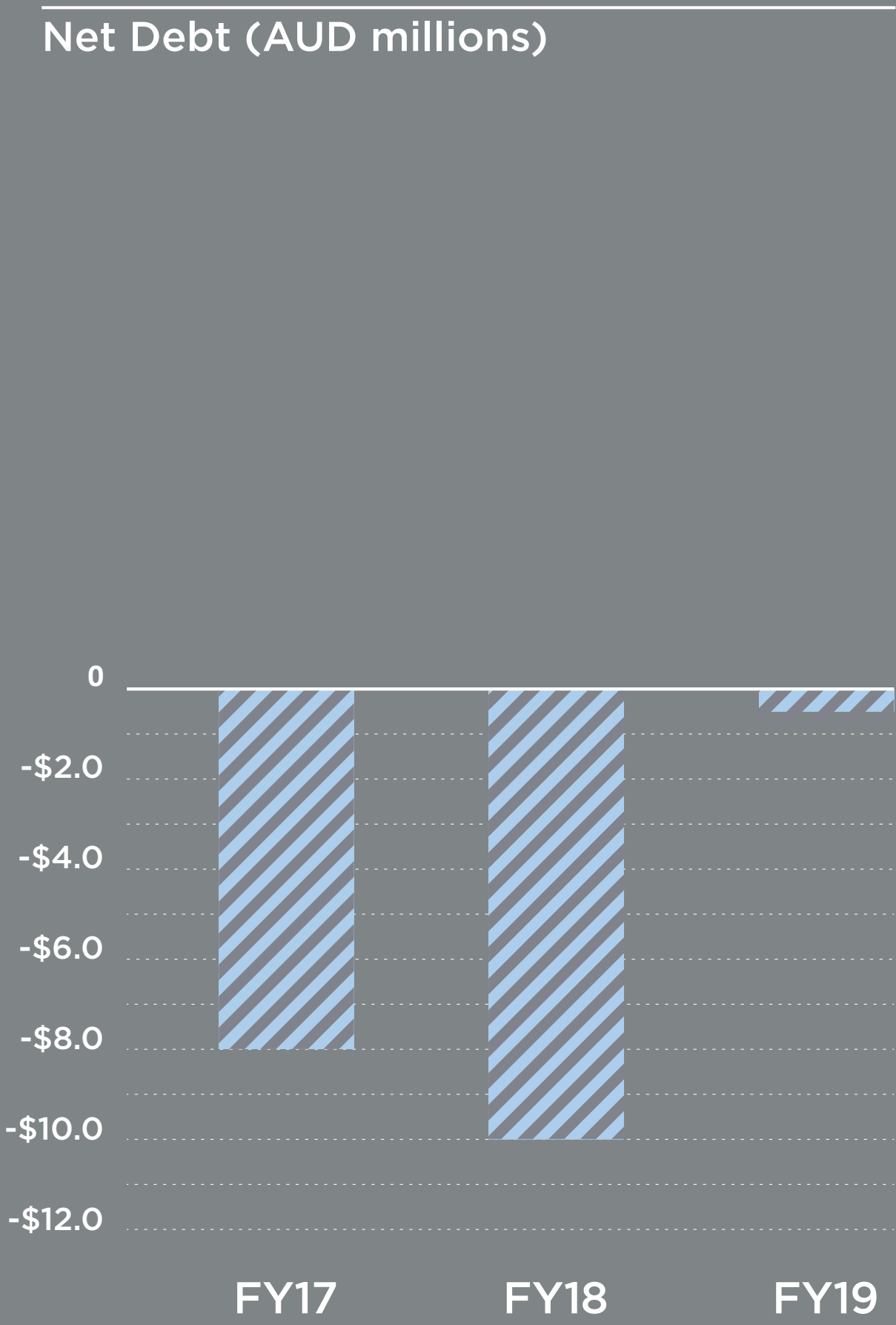
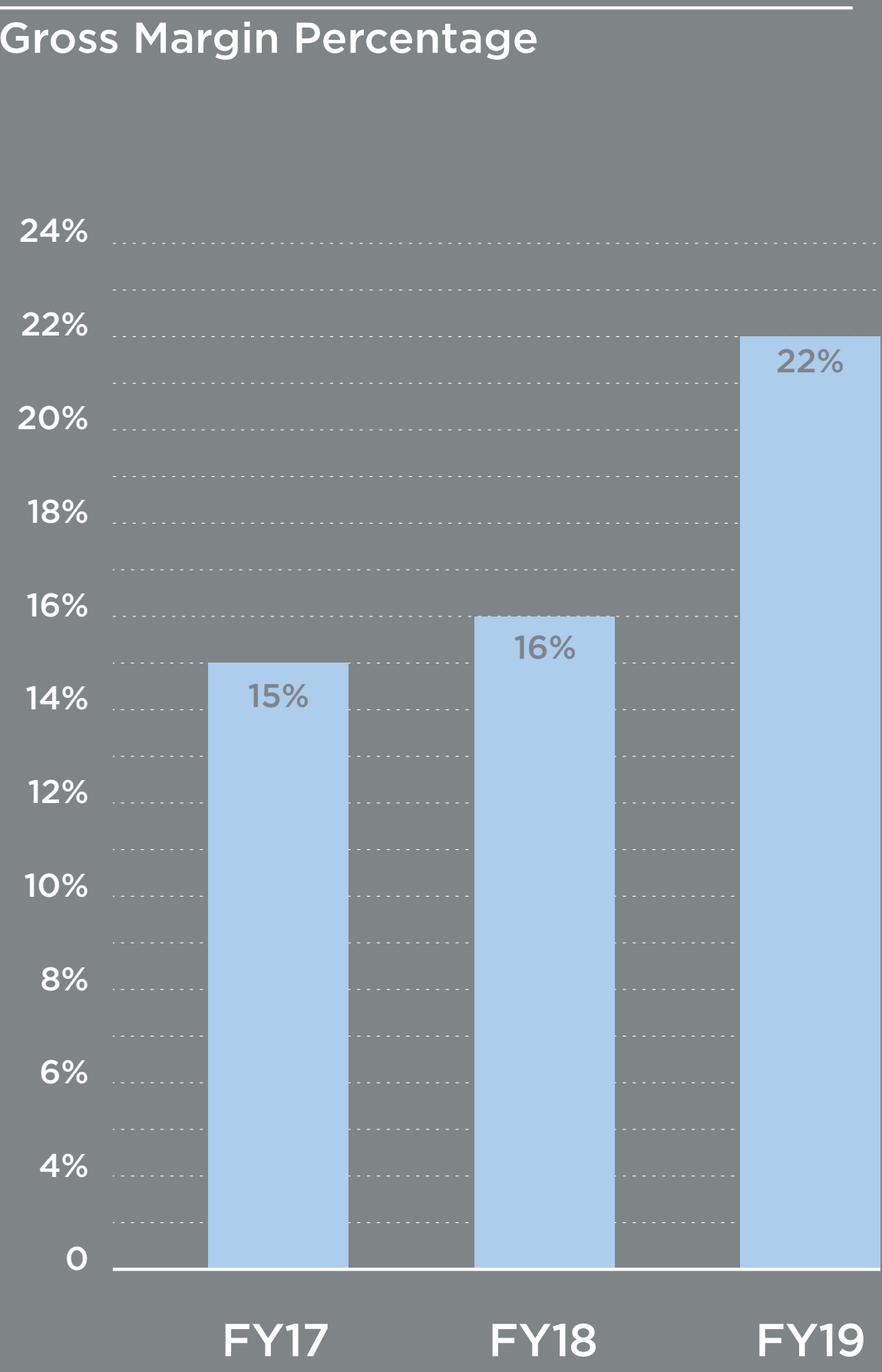


PERFORMANCE  
From strength to strength



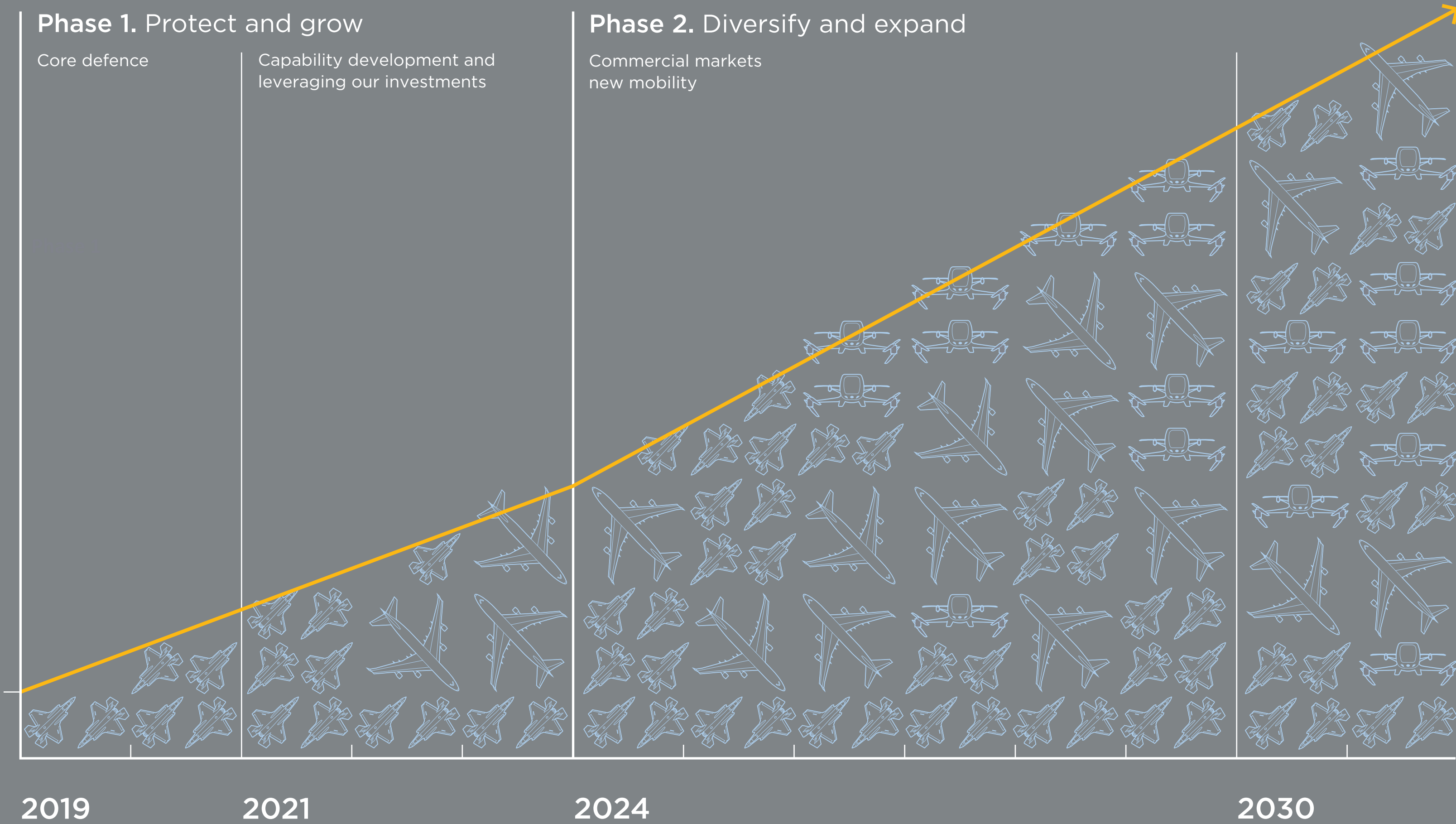


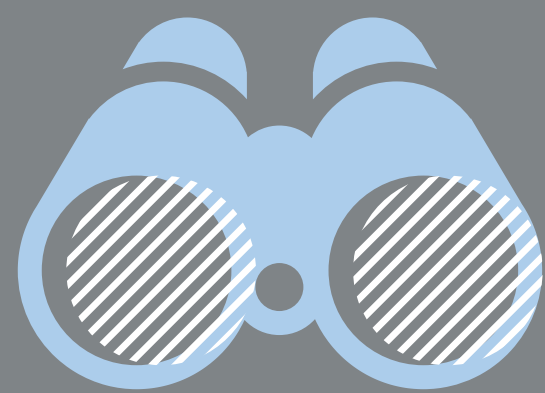
PERFORMANCE  
From strength to strength





GROWTH STRATEGY

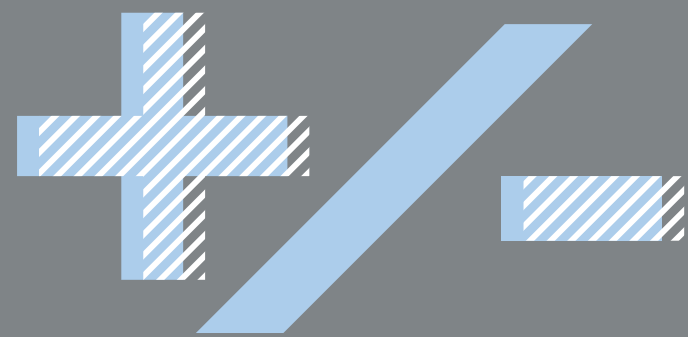




## FY20 OUTLOOK

- ✓ Like-for-like revenue growth 8 to 10%
- ✓ EBITDA 8 to 10% of sales
- ✓ Ongoing Improvement in gross margin
- ✓ Material increase in operating cash flow
- ✓ Excludes impact of any new business wins
- ✓ Subject to AASB16 adjustments

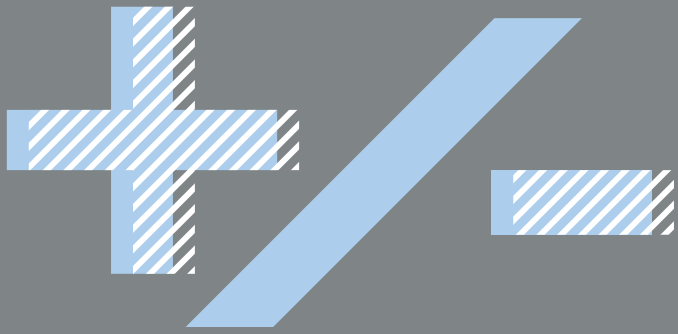
APPENDIX  
Financial Data



IMPROVED OPERATING  
CASH FLOW AND  
FRESH CAPITAL

AUD millions	FY19	FY18	Change
Operating cash flow	0.4	-0.7	1.1
Gross capex	-5.1	-1.2	-3.9
Grant funding	2.9	0.1	2.8
Net capex	-2.2	-1.1	-1.1
Proceeds from borrowings	5.2	6.0	
Repayment of borrowings	-10.4	-4.7	
Payment of borrowing costs	-0.3	-0.3	
Net proceeds from issue of shares	11.7	0.0	
Net financing cash flow	6.2	1.0	5.2
Net cash flow	4.4	-0.8	5.2

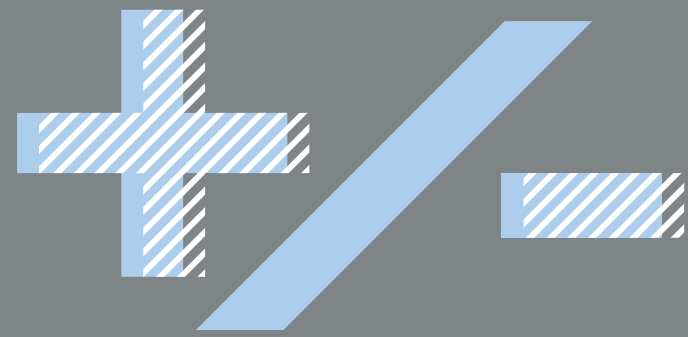
Commentary
Operating cash flow improvement includes EBITDA increase of \$4.6m to \$5.8m for FY19 tempered by an increase in working capital – principally inventory – to support revenue growth. Scope to improve inventory efficiency
About 50% of gross capex is for base business with the remainder for the flare housing project. Grant funding relates solely to the flare housing project
Net repayment of borrowings \$5.2m funded by the capital raise
\$10.1m capital raise net of fees in March 2019 followed by\$1.6m April 2019 Share Purchase Plan



FY19 –  
STRONG GROWTH IN  
REVENUE, MARGINS  
& NPAT

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
Tax Benefit	1.0	0.0	1.0
NPAT	2.7	-2.9	5.6

Commentary
Revenue growth 24% principally from growth in JSF volumes. C130 revenue stable
GM% improvement through economies of scale, efficiency and productivity improvements and cost out
\$5.2m improvement in EBIT despite \$1.0m increase in business development spend and \$0.4m reduction in grant income
Tax benefit recognized for the first time reflecting sustainable taxable income position



MUCH HEALTHIER  
BALANCE SHEET  
POST CAPITAL RAISE

AUD millions	Jun 19	Dec 18	Jun 18	Jun/Jun change	Commentary
Trade and other receivables	6.9	6.0	4.4	2.5	Net debt \$0.3m at June 2019 – down by \$11.2m from December 2018 following \$10.1m March 2019 capital raise and \$1.6m April 2019 SPP. Working capital facility has been undrawn since mid March 2019
Prepayments and other assets	0.6	0.5	0.6	0	
Inventories	8.5	9.2	4.9	3.6	
Contract revenue assets	9.8	6.8	6.3	3.5	
Trade and other payables	-14.3	-10.8	-9.0	-5.3	PP&E increase due to overdue investment in Bankstown site plus flare housing project spend offset by grant funds received
Contract liability	-3.1	-3.3	-2.4	-0.7	
Employee benefit obligations	-1.9	-1.7	-1.5	-0.4	Contract revenue asset represents WIP and finished goods for which revenue has been recognised under AASB15
<b>Total working capital</b>	<b>6.5</b>	<b>6.7</b>	<b>3.3</b>	<b>3.2</b>	
<b>Property, plant and equipment</b>	<b>14.8</b>	<b>12.7</b>	<b>13.2</b>	<b>1.6</b>	
Cash and term deposits	8.1	4.0	3.7	4.4	Contract liability is C130 deferred income
Borrowings	-8.4	-15.5	-13.6	5.2	
<b>Net debt</b>	<b>-0.3</b>	<b>-11.5</b>	<b>-9.9</b>	<b>9.6</b>	Inventory levels above plan due to early delivery of raw materials by supplier at end of June and risk mitigation due to stretched supply chain
Deferred tax asset	1.0	0.0	0.0	1.0	
Derivative financial instruments	0.1	0.5	0.2	-0.1	June 2019 trade receivables includes \$1.1m late payment received on 2 July 2019
<b>Net assets</b>	<b>22.1</b>	<b>8.4</b>	<b>6.8</b>	<b>15.3</b>	

# THANK YOU

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