INVESTORS PRESENTATION August 2019







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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







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

"

BAE SYSTEMS



are continuing to develop a Strategic Partnership to deliver world-leading manufacturing capability to key Aerospace Programs.





AT A GLANCE





Employees



Exports















INVESTMENT CASE



Long dated contracts on key programs



Healthy pipeline of near-term growth opportunities



High degree of midterm revenue certainty



High barriers to entry





Balance sheet repaired



Strong financial position





PERFORMANCE From strength to strength

Revenue in AUD millions



Key Profit Metrics (AUD millions)





PERFORMANCE From strength to strength

Gross Margin Percentage



Net Debt (AUD millions)





Phase 1. Protect and grow

Core defence

Capability development and leveraging our investments



2019

2021



2024

2030



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

Operating cash flow

Gross capex

Grant funding

Net capex

Proceeds from borrowings

Repayment of borrowings

Payment of borrowing costs

Net proceeds from issue of shares

Net financing cash flow

Net cash flow

| FY19 | FY18 | Change |
|-------|------|--------|
| 0.4 | -0.7 | 1.1 |
| -5.1 | -1.2 | -3.9 |
| 2.9 | O.1 | 2.8 |
| -2.2 | -1.1 | -1.1 |
| | | |
| 5.2 | 6.0 | |
| -10.4 | -4.7 | |
| -0.3 | -0.3 | |
| 11.7 | 0.0 | |
| 6.2 | 1.0 | 5.2 |
| | | |
| 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

Revenue

Gross Margin Gross Margin %

EBITDA

EBIT

Tax Benefit

NPAT

| FY19 | FY18 | Change | Commentary | |
|-------|-------|--------|---|--|
| | | | | |
| 73.3 | 59.0 | 14.3 | Revenue growth 24% principally from | |
| 6.4 | 9.3 | 7.1 | growth in JSF volumes. C130 revenue st | |
| 22.3% | 15.8% | 6.5% | GM% improvement through economies of scale, efficiency and productivity | |
| 5.8 | 1.2 | 4.6 | improvements and cost out | |
| 3.9 | -1.3 | 5.2 | \$5.2m improvement in EBIT despite \$1.0r increase in business development spend | |
| .0 | 0.0 | 1.0 | \$0.4m reduction in grant income | |
| 2.7 | -2.9 | 5.6 | Tax benefit recognized for the first time reflecting sustainable taxable income pos | |

table

)m d and

osition



MUCH HEALTHIER BALANCE SHEET POST CAPITAL RAISE

AUD millions

| Trade and other receivables |
|----------------------------------|
| Prepayments and other assets |
| Inventories |
| Contract revenue assets |
| Trade and other payables |
| Contract liability |
| Employee benefit obligations |
| Total working capital |
| |
| Property, plant and equipment |
| |
| Cash and term deposits |
| Borrowings |
| Net debt |
| |
| Deferred tax asset |
| Derivative financial instruments |
| Net assets |

| Jun 19 | Dec 18 | Jun 18 | Jun/Jun change |
|--------|--------|--------|-------------------|
| 6.9 | 6.0 | 4.4 | 2.5 |
| 0.6 | 0.5 | 0.6 | 0 |
| 3.5 | 9.2 | 4.9 | 3.6 |
| 9.8 | 6.8 | 6.3 | 3.5 |
| -14.3 | -10.8 | -9.0 | -5.3 |
| -3.1 | -3.3 | -2.4 | -0.7 |
| -1.9 | -1.7 | -1.5 | -0.4 |
| 6.5 | 6.7 | 3.3 | 3.2 |
| | | | |
| 14.8 | 12.7 | 13.2 | 1.6 |
| | | | |
| 3.1 | 4.0 | 3.7 | 4.4 |
| -8.4 | -15.5 | -13.6 | 5.2 |
| -0.3 | -11.5 | -9.9 | 9.6 |
| | | | |
| 1.0 | 0.0 | 0.0 | 1.0 |
| D.1 | 0.5 | 0.2 | -0.1 |
| 22.1 | 8.4 | 6.8 | 15.3 |
| | | | |

Commentary

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

PP&E increase due to overdue investment in Bankstown site plus flare housing project spend offset by grant funds received

Contract revenue asset represents WIP and finished goods for which revenue has been recognised under AASB15

Contract liability is C130 deferred income

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

June 2019 trade receivables includes \$1.1m late payment received on 2 July 2019

THANK YOU

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