QUICKSTEP H1 FY23 PRELIMINARY RESULTS

21 February 2023: Quickstep Holdings Ltd (ASX: QHL) (Company or Quickstep) today announced its preliminary unaudited results for the 6 months ended 31 December 2022 (H1 FY23).

The H1 FY23 Interim Financial Report is in the process of being audited and is expected to be released along with the accompanying Appendix 4D on Friday, 24 February 2023.

H1 FY23 Group performance was impacted by the continuation of operational challenges disclosed in late H2 FY22, in particular industry wide supply chain disruption and skilled labour shortages in the wake of the pandemic and specific key equipment reliability issues (Aerostructures impact).

Total Revenue for the half year ended 31 December 2022 was $45.4 million (H1 FY22 $47.3 million) representing a 4.0% decrease on the prior comparative period, comprising:

- An uplift in revenue from both the growing Aftermarket and Applied Composites lines-of-business (favourable $1 million); offset by
- Aerostructures Revenue impact (unfavourable $2.9 million) driven by lower production output in adverse operating conditions (noting that contracted customer demand remained unchanged).

Group profitability was impacted by the ongoing investment in the establishment of both the Aftermarket and Applied Composites lines-of-business (combined loss of $2.7 million) along with the impact of under recovered Aerostructures costs arising from the lower production volumes.

Headline Financial Metrics

AUD Millions	H1 FY23 Unaudited	H2 FY22 Actual	H1 FY22 Actual
Revenue	45.4	39.4	47.3
Underlying EBITDA	0.2	(0.4)	5.2

H1 FY22 underlying items exclude a ($1.2 million) legal accrual writeback.
H1 FY23 underlying items excludes a ($0.4 million) legal accrual writeback, $2.3 million goodwill impairment and $0.5 million employee restructuring costs.

Commenting on the H1 FY23 preliminary results, Quickstep's Chief Executive Officer Mark Burgess said:

"Whilst we are disappointed with the half year results, they reflect an extremely difficult calendar year 2022 that presented extensive operational challenges, which we do not expect to be replicated in 2023. We continued to invest in the establishment of our two new strategic lines-of-business of Aftermarket and Applied Composites despite these conditions. We are also forecasting a significantly stronger Aerostructures H2 FY23 performance as production deliveries return to historical levels (which have a corresponding revenue and cash impact)."

"In the Aftermarket business we have taken a Goodwill impairment ($2.3 million), due to the inherent uncertainty in the timing of volumes uplift as the airline industry continues to recover from the pandemic period. Australian airlines remain very supportive of on-shore MRO capability establishment."

Performance by Operational Segment – preliminary unaudited

Line of Business (AUD Millions)	H1 FY23 Revenue	H1 FY23 Gross Profit $	H1 FY23 Gross Profit %
Aerostructures	42.0	7.0	16.7%
Aftermarket / Applied Composites	3.4	(2.7)	(179.4%)
Totals	**45.4**	**4.3**	**9.5%**

Despite ongoing challenges related to supply chain, equipment reliability and labour shortages, the Aerostructures business began to recover to plan with 2 of 3 major programs back to customer schedule or slightly ahead by 31 December 2022. Aerostructures H1 FY23 Gross Margin of 16.7%, was impacted by the adverse conditions and is not at the level we expect to move to in H2 FY23. Long-term contract certainty on all major contracts (F-35 centre fuselage, F-35 vertical tail and C-130) provides firm order coverage through FY25. Recent incremental contract awards on the F-35 program, hydrogen storage solutions and Dronamics point to the continued growth potential of this segment.

During H1 FY23 Quickstep continued to invest in the establishment of both of its Applied Composites and Aftermarket segments.

Applied Composites secured additional orders from Swoop Aero, Carbonix and Spright during the period. Production volumes continue to ramp and further capacity was added with the addition of a leased premises in the Geelong area.

Aftermarket continues to face a customer and operating environment still in recovery from the pandemic. Volumes, both contracted and ad hoc, were substantially behind plan during H1 FY23. Given the extended duration and additional investment required to realise the potential of this segment, the Board of Quickstep have initiated a strategic review of the Aftermarket business.

The H1 FY23 loss position has driven a broad cost management and operational recovery effort that involves all parts of the Company. These initiatives are expected to yield positive results during H2 FY23 and demonstrate a marked financial improvement half over half.

Key financial metrics

AUD Millions	H1 FY23 Unaudited	H2 FY22 Actual	H1 FY22 Actual	Change H1 FY23 v H2 FY22
Revenue	45.4	39.4	47.3	6.0
Underlying EBITDA	1.2	(0.4)	5.2	1.6
Statutory EBITDA	(1.2)	(0.4)	6.4	(0.8)
Underlying PBT	(2.2)	(3.4)	2.0	1.2
Statutory PBT	(4.6)	(3.4)	3.2	(1.2)
Tax Benefit / (Expense)	0.2	0.9	0.1	(0.7)
Underlying NPAT	(2.0)	(2.5)	2.1	0.5
Statutory NPAT	(4.4)	(4.1)	3.3	(0.3)
Operating Cashflow	(2.8)	(0.7)	4.0	(2.1)

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H1 FY23 underlying items excludes a ($0.4 million) legal accrual writeback, $2.3 million goodwill impairment and $0.5 million employee restructuring costs.

Business Outlook

The recently announced debt refinancing with Commonwealth Bank provides greater financial security and balance sheet strength to support the progress of the business through an extended facility tenure and reduced amortisation commitments.

Strong H2 FY23 recovery in Aerostructures and continued growth from Applied Composites point to an improved outlook. Once concluded and implemented, the review of strategic options for Aftermarket should result in further improvement.

Contract wins in multiple segments, as well as extensive inbound customer interest, reflects improved sentiment in aerospace and related industries across the world, as well as the strong brand reputation Quickstep has established in customer markets.

FY23 outlook

Commenting on Quickstep's outlook for FY23, Mr Burgess said:

"During calendar 2022 we navigated the parallel challenges of extraordinary absenteeism, broad supply chain risks, equipment reliability and ongoing skills shortages, it was unquestionably a very difficult year for the Company. Whilst we are removing previous FY23 financial guidance, the long-term growth thematic for Quickstep remains unchanged. We are excited by the attractive growth opportunities we see for Quickstep and are positioning the Company to enable it to deliver on those opportunities."

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This announcement was approved for release by the Board of Quickstep Holdings Limited.

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About Quickstep Holdings

Quickstep Holdings Limited (ASX: QHL) is the largest independent aerospace composite business in Australia, with facilities in Sydney, Geelong, Melbourne and Dallas. The group employs more than 280 people in Australia and internationally. More information about Quickstep is available at www.quickstep.com.au

Forward looking statements

This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions (including those related to pandemic disruption), regulatory environment, exchange rates, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release.