

Quickstep releases results for first half of FY21

- Sales \$41.5 million, up 8% on the prior comparative period (pcp)
- Underlying pre-tax profit up 57% to \$1.1 million on pcp
- \$4.3 million operating cash flow
- Net bank debt down \$2.7million to \$3.7million

23 February 2021: Quickstep Holdings Limited (ASX: QHL) (Company or Quickstep), today announced half year 2021 underlying PBT of \$1.1 million representing a 57% (\$0.4 million) increase on the pcp. Sales revenue increased by 8% to \$41.5 million versus pcp with growth attributable to the F-35 programme. EBITDA margin has been impacted by an unfavourable exchange rate environment compared to the pcp and a payroll tax concession ending. Statutory PBT of \$0.8 million is a \$0.1 million improvement on pcp after including \$0.3 million one off acquisition costs.

AUD Millions	H1 FY21	H2 FY20	H1 FY20	PCP change
Revenue	41.5	43.8	38.4	3.1
Underlying EBITDA	3.8	4.6	4.2	-0.4
EBITDA Margin %	9.2%	10.5%	10.9%	
Statutory EBITDA	3.5	4.1	4.2	-0.7
EBITDA Margin %	8.4%	9.4%	10.9%	
Underlying EBIT	1.9	2.8	2.3	-0.4
Statutory EBIT	1.6	2.3	2.3	-0.7
Underlying PBT	1.1	1.5	0.7	0.4
Statutory PBT	0.8	1.0	0.7	0.1
Tax Benefit	0.0	1.4	0.8	-0.8
Underlying NPAT	1.1	2.9	1.5	-0.4
Statutory NPAT	0.8	2.4	1.5	-0.7

Underlying items exclude \$0.5m restructure costs in FY20.

Underlying items exclude \$0.3m acquisition costs in FY21.

FINANCIAL UPDATE

Sales growth of 8% (\$3.1 million) versus the prior comparative period (pcp) is attributable to the F-35 program, including a growing share of F-35 Vertical Tails global production. We are at full rate production for the existing Northrop Grumman F-35 scope. Underlying EBITDA margin has dipped to 9.2% due to unfavourable USD / AUD exchange rate movement, payroll tax concessions ending in December 2019, a modest price decrease on a key contract in late 2019, plus a material increase in R&D spend partially offset by reduced corporate and BD spend. The R&D investment is focussed on the AeroQure opportunity and spend increased by \$0.6 million (57%) compared to pcp or \$0.3 million net of grant income. Cost reduction initiatives implemented in mid-2020 have resulted in corporate and BD spend (excluding FY21 acquisition related costs of \$0.3million) decreasing by \$0.8 million versus pcp.

Cash from operating activities of \$4.3 million for the first half of FY21 was a \$5.8 million improvement on the pcp, noting a \$3.2 million reversal of deferred income on the C-130J contract in the pcp. The strong cash result has been achieved through much tighter inventory control and cash management and is after funding \$0.5 million of restructure costs (provided for in FY20) and \$0.3 million acquisition costs. Capital expenditure of \$1.5 million (\$1.2 million, net of grants) has been invested to provide new capability, increase capacity and improve operational efficiency. The Company's net bank debt has decreased by \$2.7 million since 30 June 2020 to \$3.7 million as a consequence of better working capital management and ongoing profitability.

OPERATIONAL HIGHLIGHTS

Quickstep announced the acquisition of the Boeing Australia's component repair capability based at Tullamarine on November 13th and initiated the transition process during the reporting period. The acquisition was successfully completed on February 18th. A team of highly skilled aerospace employees transferred and Quickstep has secured relevant ITAR licensing approvals and aviation regulatory approvals from DASA, CASA and FAA.

F-35 production continues at full-rate on the base contracts and is being delivered to plan. First article deliveries have been completed for the new 10 parts awarded by Northrop Grumman and production deliveries of these parts will ramp up into FY22. Volume on the F-35 vertical tails contract with Marand has continued to increase over the past 12 months as we have grown market share.

C-130J demand continues in line with expectations and discussions with Lockheed Martin on new product initiatives and a further 5 year contract post 2024 are ongoing.

Boeing parts supply continued through the half and negotiations are at an advanced stage on the establishment of a Long Term Business Agreement between Quickstep and Boeing Defence Australia.

Production continues for the Micro-X Nano lightweight x-ray machine, which is being used by the medical profession in the fight against COVID-19, and current contracted deliveries continue. Initial production deliveries of the latest Lockeac train ramp will continue through FY21.

BUSINESS DEVELOPMENT UPDATE

The announced strategic relationship with Volansi is progressing and we are jointly working on a number of domestic and international opportunities for aircraft supply, support and services. We expect our level of marketing effort in the Advanced Air Mobility (AAM) sector to increase substantially in the next 6 months. The Vaulta strategic relationship is progressing well and we have already submitted our first customer proposal related to composite battery casing technology.

Quickstep has added to its business development resources with the addition of an Aerospace Business Development Manager, based in Melbourne, with the role of delivering revenue attainment in the component repair business and to support additional sales activities across the group.

The AeroQure development program continues to perform to plan across the Spirit, AMSL and European OEM work streams. This technology will also be highly relevant to our activities in the AAM sector

OUTLOOK

Quickstep's FY21 customer revenues are expected to increase year on year assuming no change to the current AUD v USD exchange rate. We are seeing a re-emergence of supply chain risk related to the COVID-19 pandemic, especially related to air and sea freight. Whilst this had stabilised in H2 CY 20 we are now seeing a deterioration in terms of freight capacity and port delays, in particular for raw materials and components supplied from the US. Subject to no change to the current AUD vs USD exchange rate and no further deterioration in supply chain risks, Quickstep expects to generate growth in profit before tax over prior year in its base business, but reported profits are expected to be impacted by initial losses from the acquisition of Boeing Australia's component repair capability. The acquisition is expected to be earnings accretive by year two.

This announcement was approved 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 Houston. The group employs more than 270 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, 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.