

Proposed Sale of Quickstep Aerospace Services

20 August 2024: Quickstep Holdings Ltd (ASX: QHL) (Quickstep or the Company) is today announcing a proposed sale of Quickstep Aerospace Services, its Maintenance, Repair and Overhaul (MRO) operation based in Tullamarine, Victoria.

Background

Quickstep Aerospace Services (QAS) acquired the assets of Boeing Australia Component Repairs Pty Ltd in February 2021 for a cash purchase price of AUD \$2.64 million.

This acquisition enabled Quickstep to leverage its existing relationships and capabilities to broaden the scope of MRO work to include Airbus and Embraer commercial aircraft, as well as Defence aircraft.

The acquisition of this important national capability was also aligned to Quickstep's strategy to grow its defence sustainment business and open new opportunities in the high value commercial aftermarket post the pandemic.

Operating Environment

Following the acquisition, QAS has achieved a number of key milestones including entering strategic arrangements with Triumph Aviation Services Asia and ST Engineering, and the award of a long-term maintenance contract of V2500 Engine Nacelles by Jetstar Airways Pty Limited, part of the Qantas Group.

Although QAS has seen significant revenue growth since effectively recommencing trading post pandemic, slower than anticipated growth in the domestic commercial and defence sectors have resulted in operating losses and negative cashflow in excess of what was originally anticipated. This has been largely due to the challenging trading conditions in the commercial airline MRO market persisting well beyond the unprecedented pandemic disruption of 2020-22.

For a business of this nature to be successful, it is critical to have a consistent flow of work through the facility, which is achieved through customer commitments to onshore work and company investment in tooling and rotatable spares. Given the current trading conditions in the Australian aviation market and investment constraints versus other opportunities in the broader QHL business, it is impractical for investment in QAS to be made at the level required to enable sustainable long-term profitable growth.

Divestment

Although Quickstep sees a positive future for the QAS business, with domestic and international demand expected to grow significantly in both the commercial and defence segments over the next 3-5 years, given the above financial realities and ongoing losses in the business unit, the Company believes the most appropriate course of action is to sell all or a majority share of the business to a MRO focused, global corporate who is able to meet the investment needs of the business and facilitate the achievement of scale, which will support a sustainable and profitable ongoing operation.

The Company is engaging with employees, customers and partners during this period of potential change and the Quickstep Aerospace Services business will continue to trade as normal during this sale process.

Quickstep has an exciting pipeline of new business opportunities across its defence aerostructures and drone businesses and believes that it is important to concentrate investment and management focus on securing these opportunities, which we expect will accelerate profitability and future growth.

FY24 Reporting

When Quickstep release the FY24 Appendix 4E (Preliminary Final Report) and Annual Report in the coming weeks, QAS will be identified as discontinued operations as it is currently an asset held for sale.

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

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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. More information about Quickstep is available at www.quickstep.com.au

Important Information - 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.