Quickstep pledge to investors

Sean Smith

Quickstep, the locally-founded aerospace company lured to NSW six years ago, is being shaken up by a straight-talking new boss determined to deliver some overdue returns to its mainly WA shareholders.

Mark Burgess, who joined Quickstep as chief executive from IT giant Honeywell in May, says the company has failed to deliver on its own expectations or its commercial promise, partly because of cultural failings.

"We've got a corporate culture that is really can-do (with) a lot of really committed people who are good at what they do . . . (but there is) a real absence of understanding what the creation of shareholder value really means," Mr Burgess said.

Quickstep is a rarity, a WA-founded high-tech company producing complex, sophisticated parts for the export market, notably into the $US300 billion ($380 billion) international program turning out the F-35 Lightning Joint Strike Fighter.

But despite revenues in excess of $50 million — they hit $51.9 million in the year to June 30 — the company has yet to turn a profit after 12 years on the ASX and its shares are languishing at near-record lows under 10¢.

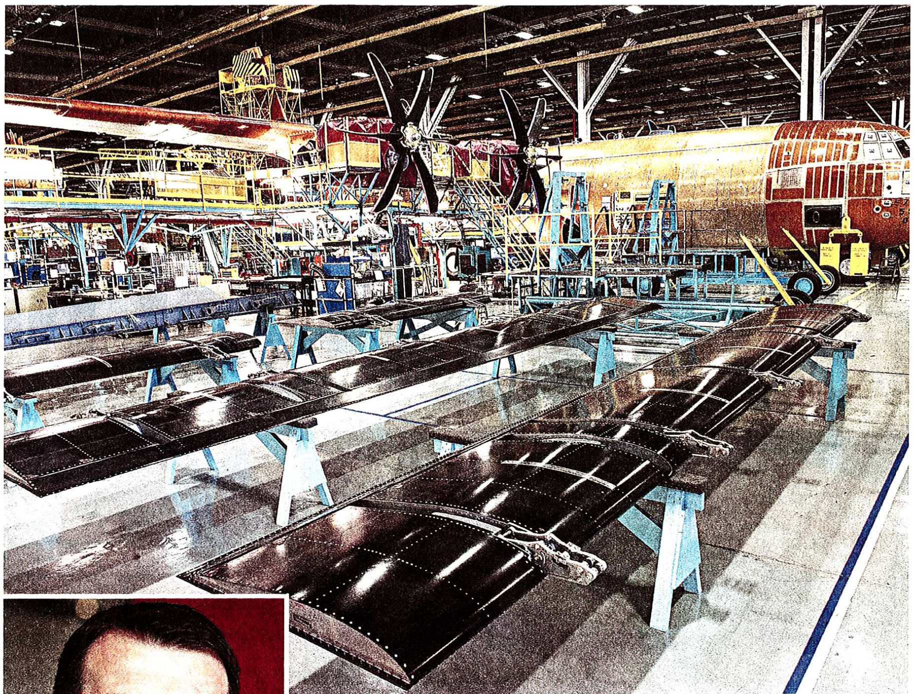
"Our returns to shareholders have been negative," said Mr Burgess, who was in Perth this week for talks with retail investors. That's not an acceptable position to be in."

The Briton has drawn up a new strategy to accelerate profitability and growth, laying out ambitions to grab emerging defence work in Australia and to expand into Europe.

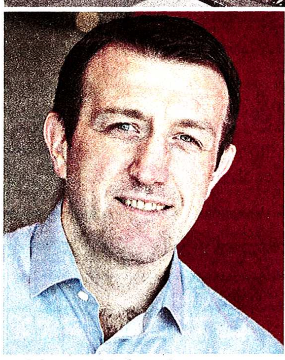
"We are now at the point of time where we have matured some of our proprietary technology to a really exciting point (and) we are really ramping up our production on JSF, so the next two-three years the outlook on the top and bottom lines is quite clear," he said.

"Rather than 12 years of 'success is just around the next bend', we're actually at the bend.

"Think of us as a new business. We have got a management team with an average tenure of just 12 months, we have really solid projections for top-line revenue growth and we are going to be much more aggressive in how we drive profitability."



Hercules wing flaps ready for assembly.



Quickstep chief Mark Burgess.

The F-35 Lightning.

His plan includes reducing spending on research and development, some job cuts, a leaner management structure, investment in sales and marketing functions, the pursuit of new markets for Quickstep's technology and an increased focus on manufacturing partnerships.

Mr Burgess sees Quickstep trading profitably by the June half next year, with shareholders seeing increasing improvements in earnings, cashflow and margins out to 2020.

And profitable trading is crucial to accessing the capital needed to fund expansion.

Quickstep was the subject of a brief tug-of-war between WA and NSW before taking a significant but undisclosed financial package from the NSW Government in 2011 and relocating to a disused factory on a former Boeing site at Bankstown Airport, in south-west Sydney.

At the time, the company's management said the relocation decision was influenced by the fact that the specialist technological skills required for the new plant were more readily available in NSW.

"The fact that NSW was very positive and very supportive . . . certainly helped," chief executive Philippe Odouard said then.

"The problem with WA . . . is that the focus really of the State is not aerospace."

Using a high-strength lightweight composite derived from a process developed by Perth's Graham family, the 16,000sqm Bankstown plant makes $250,000 of parts for each JSF, including maintenance-access panels, fuel-tank covers and tail spars.

It is also the sole supplier of composite wing flaps for Lockheed Martin's military C-130J Super Hercules and its commercial variant.

Quickstep will have excess production capacity at Bankstown when revenues increase on the JSF ramp-up to an expected $90 million a year by 2020.

Mr Burgess is confident of filling the hole with new work for major defence companies chasing work under the Federal Government's $195 billion of expected defence programs over the next 10 years

"We're chasing about 50 different programs at the moment and I'm absolutely confident that we will secure that incremental $25 million on the back of either new or existing programs," he said.

But a better balance sheet is crucial to his growth strategy.

"We have got a lot of ambition and you cannot deliver on ambition if you don't make money," he said. "We have to move to a position of profit, we have do so quickly, we need to make better margins out of the contracts we've got and we need to not accept new contracts unless they meet our margin targets."

Mr Burgess also sees acquisitions and offshore expansion in Quickstep's future.

"If you look 18 months to three years out, there's some really interesting acquisition targets out there," he said.

"So we want to develop an in-organic growth strategy, particularly in Europe.

"Leveraging our capability in proprietary technology in commercial aerospace is the really big prize for the future.

"It's where the predicable, stable and large volumes in our market are."

The new strategy is as much about winning investor backing as it is about improving the company's financial performance.

Quickstep's share register is headed by investment group Washington Soul Pattinson and Deakin University with about 16 per cent and 6 per cent of the company respectively.

But most of its 6300 shareholders live in WA, a legacy of its background. Most of those 6300 hold more than 10,000 shares.

Mr Burgess insists he and the company will be held to account for the next few years.

"We've got to set a credible but ambitious yardstick, be held to account . . . and build the confidence that hasn't existed over the past five years because we've become this tired story of always promising but never delivering," he said. "We have to change that cycle."