

HALF YEAR RESULT 2012

Matrix Composites & Engineering Ltd

24 February 2012

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PRESENTATION OVERVIEW

- CEO Overview
- Financial Results – HY2012
- Operational Review
- Strategy & Outlook



CEO OVERVIEW



HIGHLIGHTS – HY2012

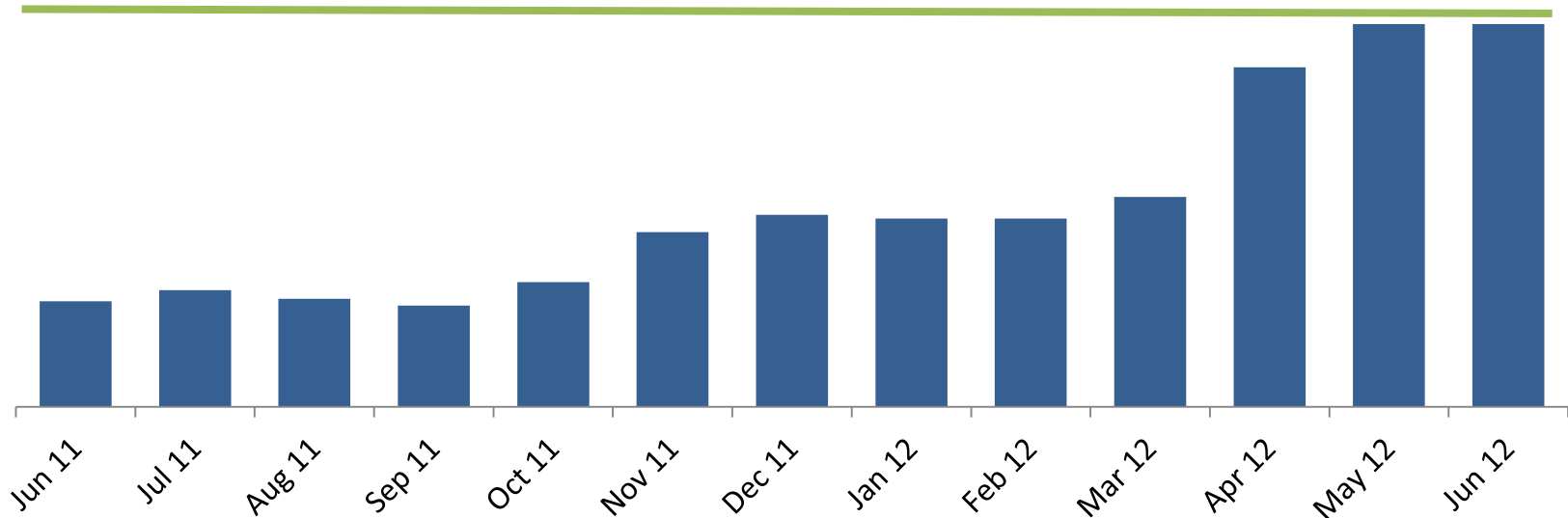
- Transition to Henderson completed
- Record US\$700 million quote book
- Current US\$120 million order book
- New Contracts US\$46.5 million
- Development and release of new product lines
- New manufacturing capability – thermoplastic injection moulding and elastomer processing
- Continuing geographic expansion – USA and Brazil
- Board strengthened with appointment of new Chairman
- Functional Management Structure developed

CHALLENGES

- Complete commissioning of syntactic foam plant
 - Nameplate capacity by June 2012
- Continuing strong AUD against USD
 - Adverse impact on revenue and margin
 - Increased plant throughput will permit scale advantages
- Development of financial and commercial processes
- Restatement of H1 and FY 2011 results

HENDERSON PLANT CAPACITY

Nameplate capacity



- April uplift in production arises from:
 - Full capacity availability
 - Tool availability

FINANCIAL PERFORMANCE OVERVIEW

		1H 2012	1H 2011	Change (%)
Revenue	\$m	83.5	87.6	(4.7)
Reported EBIT	\$m	(6.4)	25.1	(125.5)
Non-recurring	\$m	17.1	-	-
Normalised EBIT	\$m	10.7	25.1	(57.4)
NPAT (reported)	\$m	(2.4)	17.5	(113.8)
Normalised NPAT	\$m	9.6	17.5	(45.2)
EPS (basic)	cps	(3.1)	26.4	(111.8)
DPS	cps	2.0	3.0	(33.3)

FINANCIAL PERFORMANCE OVERVIEW

- Revenue and Margins adversely impacted by:
 - High AUD exchange rate
 - Reduced output during commissioning
 - Non-recurring costs associated with commissioning and closure/decommissioning of Malaga operations
 - Duplicate manufacturing costs

QUOTE AND ORDER BOOK

Major Contract Awards – 1H 2012

- Co-operation agreement to supply riser buoyancy to a leading European oil services company – up to US\$50 million revenue pa for a maximum of 5 years
 - LOI received for US\$20 million (Feb 2012)
- US\$46.5 million contract for the supply of riser buoyancy destined for Brazil, West Africa and the Gulf of Mexico
- Quote book at US\$700 million and rising
- Orders of approximately US\$3 million for well construction products
 - Rapid growth in sales of well construction products expected to reach +US\$30 million per annum

OUTLOOK

Market Conditions

- Timing of projects – impacts order conversions
- Strong capital investment and macro outlook
- Rapidly growing quote book

Outlook (short term)

- Focus on getting plant running at nameplate capacity
- Re-structuring organisation for future growth
- Developing and launching new products and expanding current product range
- Geographic expansion

A worker in a white protective suit and safety glasses is using a red and black power tool in a factory setting. The worker is wearing a white protective suit, safety glasses, and gloves. The background shows a blurred industrial environment with various equipment and structures. A black rectangular box with white text is overlaid on the image.

HY 2012 FINANCIAL RESULTS

FINANCIAL PERFORMANCE OVERVIEW

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RESTATEMENT OF 2011 RESULTS

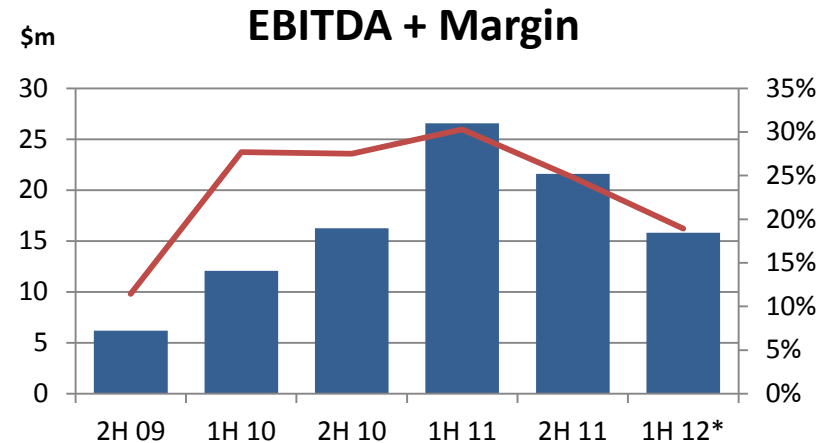
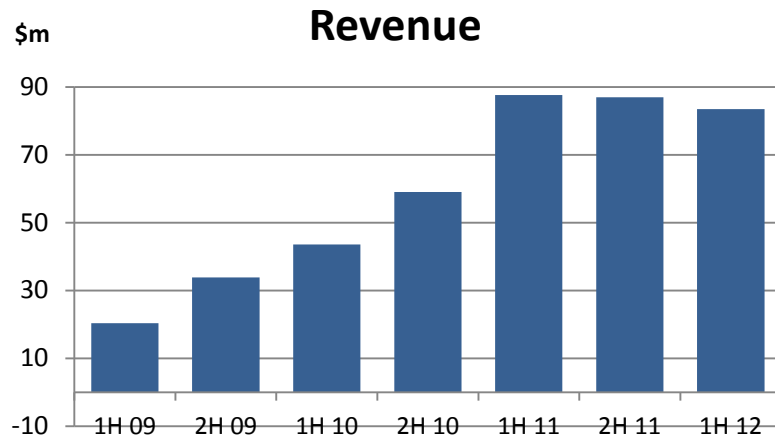
- Financial results for FY 2011 and 1H 2011 have been restated to reflect correct accounting treatment of revenue recognition

\$000s	FY 2011	1H 2011
Reported NPAT	<u>33,608.4</u>	<u>19,251.1</u>
Lease costs capitalised	(960.0)	(587.0)
Revenue recognition	673.2	673.2
Revenue recognition	<u>(3,096.3)</u>	<u>(1,832.0)</u>
Adjusted NPAT	30,225.3	17,505.3

FINANCIAL PERFORMANCE NORMALISATION ADJUSTMENTS

\$000s	Actual	Previous Guidance	Variance
Reported EBIT	<u>(6,429.0)</u>		
Duplicate manufacturing costs	8,273.0	3,000.0	
Henderson Commissioning Costs		1,500.0	(3,773.0)
Malaga Decommissioning Costs	1,630.2	700.0	(930.2)
Warranty Claim	700.0	700.0	-
Hedge Book fluctuation	2,050.0	(100.0)	(2,150.0)
Write-off of Plant & Equipment	4,102.0	3,500.0	(602.0)
Malaga Redundancy costs	<u>350.0</u>	<u>300.0</u>	<u>(50.0)</u>
	<u>17,105.2</u>	<u>9,600.0</u>	<u>(7,505.2)</u>
Normalised EBIT	10,676.2	9,600.0	

FINANCIAL OVERVIEW



Revenue Analysis

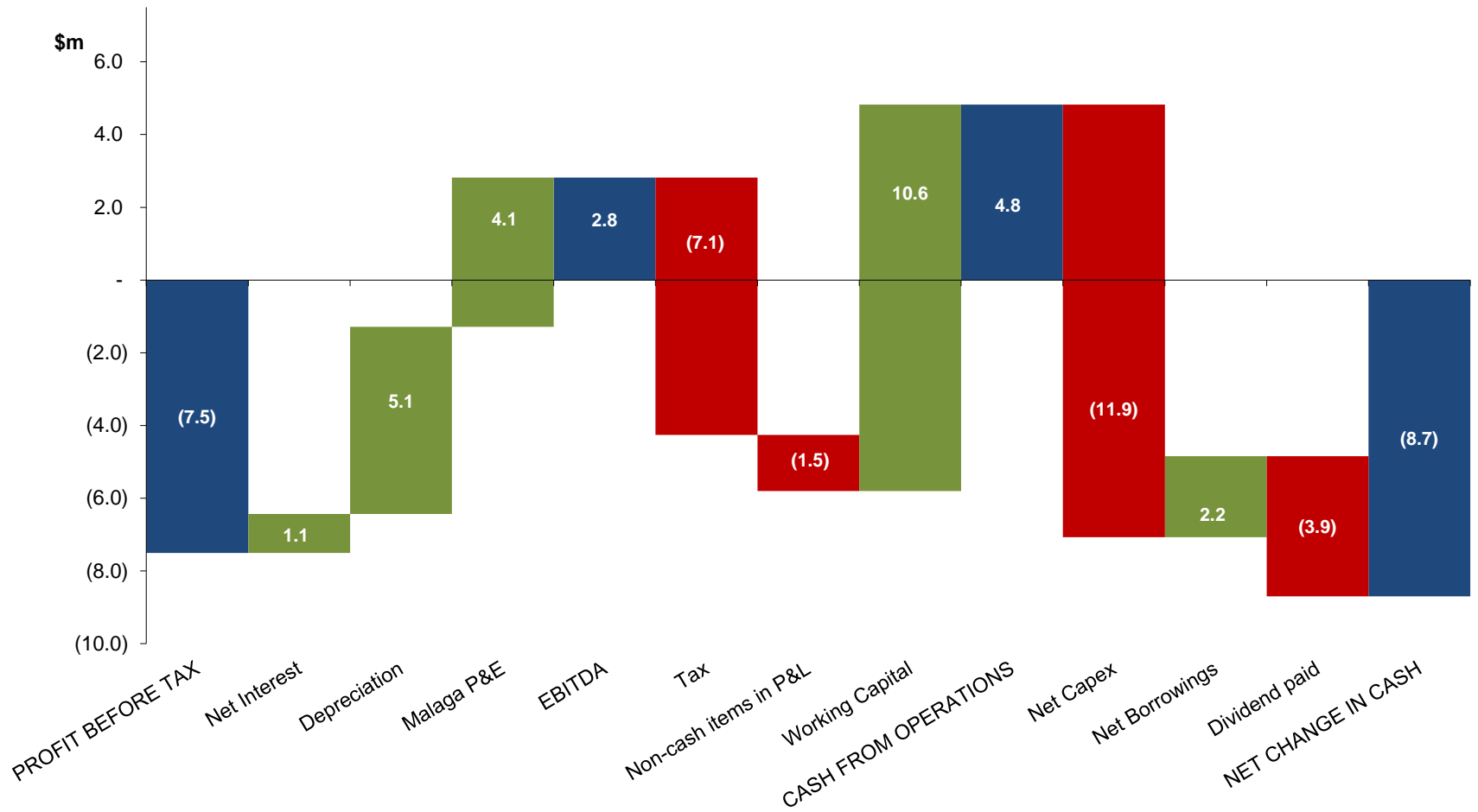
- AUD Revenue growth has slowed
 - Capacity constraints
 - Impact of high AUD
 - 5% comparable USD increase
- Capacity constraints now removed

Margin Analysis

- Margin has been impacted by:
 - Lower production arising from commissioning
 - AUD appreciation
- Margins enhanced at full capacity

* Normalised 1H 2012

CASH FLOW



BALANCE SHEET

Balance sheet

- Low net debt levels
- Comfortable gearing levels
- All bank covenants met

	Dec 11	June 11	Dec 10
Total Assets	200.2	206.3	161.0
Total Equity	114.8	121.9	126.8
Net Debt	19.5	8.5	26.9
Interest Cover	18.3	49.9	73.7
Net Debt : Equity	17%	7%	33%
Net Debt : EBITDA	78%	18%	63%

Gearing to reduce in 2013

- Strong cash generation
- Significantly reduced capex

	31 Jan 12	31 Dec 11
Cash on Hand	14.2	17.9
Facility Headroom	<u>6.1</u>	<u>2.1</u>
Total Liquidity	20.3	20.0

FINANCE PRIORITIES

Process Improvement

- Improve finance processes
- Identify Improvements (ERP Review)
- Review purchasing processes for working capital efficiencies
- Review chart of accounts and establish cost centres for accountability
- Budget and corporate planning processes

ERP Review

- Identified requirement for systems upgrade
- Initiated process mapping project for integration of finance with operational planning (Phase 1)
- Process review to improve processes (Phase 2)
- ERP selection (Phase 3)
- ERP implementation (Phase 4)



OPERATIONAL REVIEW PERFORMANCE & OUTLOOK

DRILLING PRODUCTS

Performance

- Record level of quoting activity US\$700 million
- Major cooperation agreement – up to US\$50 million revenue pa for a maximum of five years
- New major contracts - US\$46.5 million
- Three x 12,000 ft strings on order
- 15,000 ft systems under development
- ↑ share of repair/ replacement market

Outlook

- Strong outlook for global deepwater drilling and production and drilling products



WELL CONSTRUCTION PRODUCTS

Performance

- Approximately US\$3 million YTD worth of orders (FY2012)
- Released new products
 - Expanded range of composite drilling and completions centralisers
- Patents pending in 108 countries
- New service center in Houston to supply stock as needed by clients

Outlook

- US\$30 million – forecast sales for CY2012



SURF ANCILLARY EQUIPMENT

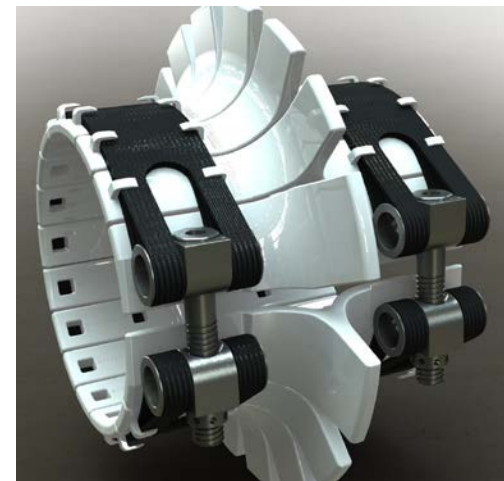
Performance

- Increased bidding activity
 - Many products quoted in CY 2011 will be awarded in CY 2012
- On approved vendor list for several major SURF contractors - bend restrictors/ other SURF products



Outlook

- Strong growth expected over the next five years in Asia Pacific, West Africa and the Americas
- Distributed module system released (Feb 2012)



CRYOGENIC INSULATION SYSTEMS

Performance

- First order - Origin Energy (Beharra Gas Treatment Plant) for the reinstallation of piping at the low temperature separation unit
- Received 2nd order to supply product for use on a multi billion dollar LNG project in WA
- Undergoing a qualification testing for a major Australian gas producer

Outlook

- Well positioned to supply the many Australian and international LNG projects in construction



OFFSHORE & SITE SERVICES (MOSE)

Performance

- Structural change from manufacturing base to a maintenance and labour service provider
- Consolidation of operating sites
- 3 major contracts won totalling \$8.6 million

Outlook

- Strong demand for site services in WA - driving business growth
- Significant growth expected in the onshore and offshore maintenance services market.

A photograph of a worker in a white protective suit and safety glasses using a red and black power tool in a factory setting. The worker is focused on the task, and the background shows industrial equipment and a bright light source. A dark grey rectangular box is overlaid on the image, containing the text 'STRATEGY AND OUTLOOK'.

STRATEGY AND OUTLOOK

GROUP STRATEGY

Strategy

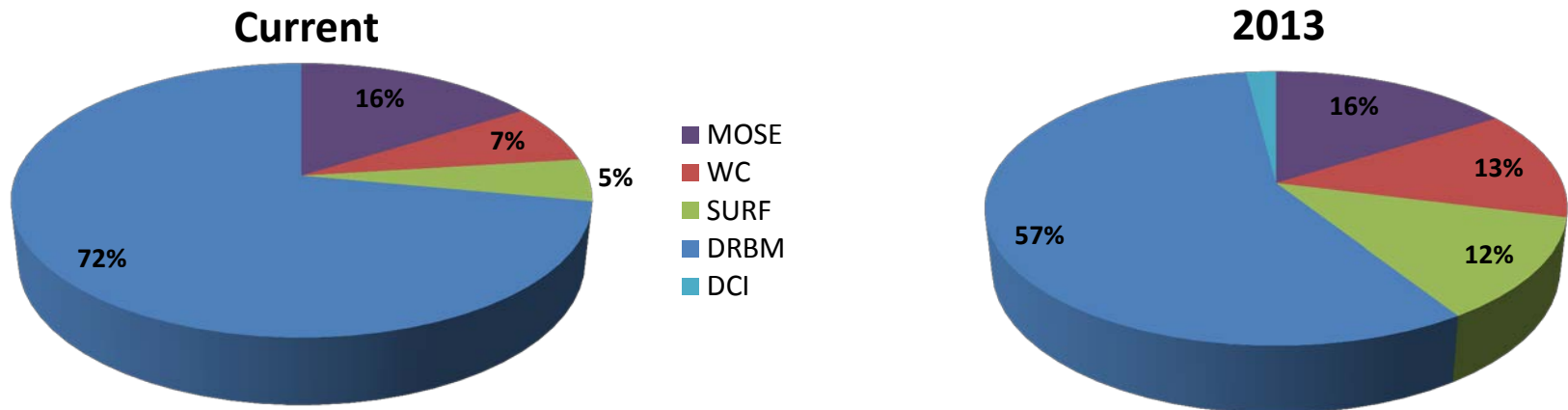
- Strengthen position as global leader in subsea buoyancy systems
- Diversify and expand product range (Appendix B)
- Expand the scope and location of maintenance and speciality engineering services (MOSE)
- Expand global geographical presence

Outlook

- Strong macro indicators for oil and gas exploration and production

IMPROVING REVENUE DIVERSIFICATION

- Product diversification reflects aggressive market penetration in 'new' product groups



KEY	
MOSE (Matrix Offshore Services & Engineering)	Matrix Offshore Services & Engineering
WC (Well Construction)	Well Construction Equipment
SURF (Upstream SURF Ancillary Equipment)	Subsea riser, umbilicals & flow lines ancillary equipment
DRBM (Drilling Equipment)	Drilling Riser Buoyancy Modules
DCI	Downstream Cryogenic Insulation

OUTLOOK

- Short Term
 - Move to nameplate capacity - 2012 results will reflect only 1Q of DRBM operations at nameplate capacity
 - Revenue impacted by project timing but mitigated by:
 - Long term health demonstrated by large quote and order book
 - Milestone payments received over the duration of supply
 - Develop organisational capability
 - Launch new products
 - Cost containment and Working Capital management

OUTLOOK

- Longer Term
 - Fully load the Henderson facility
 - Continue geographic expansion
 - Continued R&D and product development
- 2013 – outlook very positive
 - Reduction of risk factors
 - Plant operating at full capacity for entire year
 - Focus on cost and working capital management to improve margins
 - Aggressive market penetration across product groups
 - Fundamentals in place for future growth

SUMMARY

- Nameplate capacity by June 2012
- Margins to improve, continued impact of high AUD
- 2012 is a transition year
- Continued strong capital expenditure in oil & gas sector
- Strong quote book and growing order book
- Heavy capex programme ending
- Investing in operational and commercial processes and systems to support future growth
- Leading market position
- Well positioned to deliver in 2013

CONTACT DETAILS

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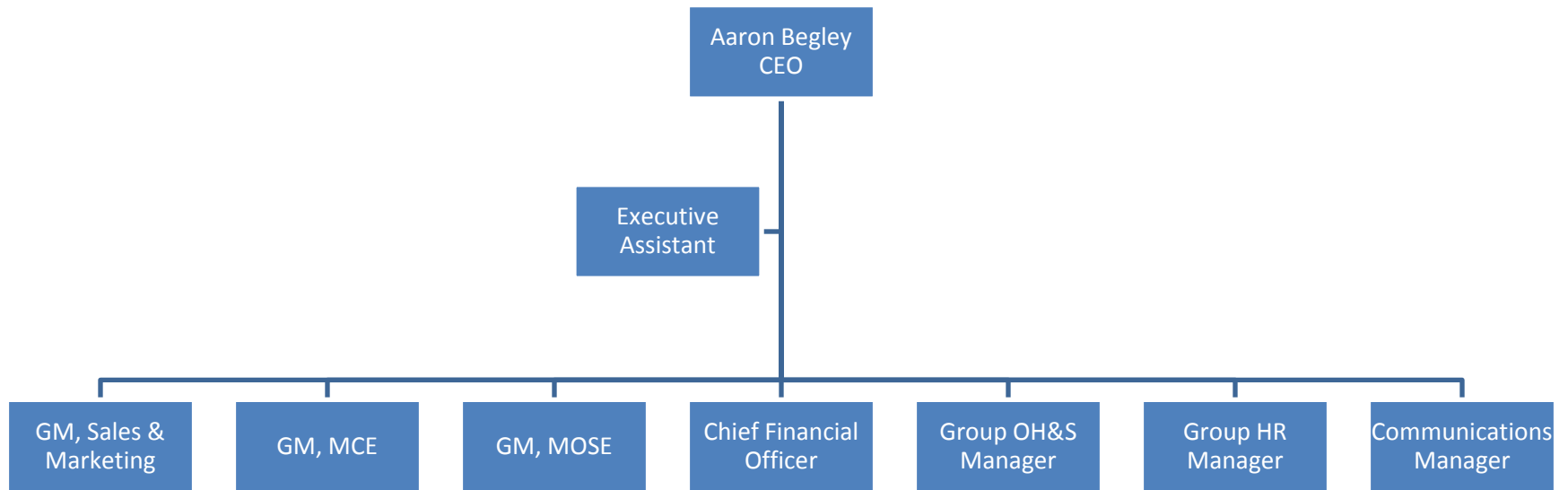
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APPENDIX A MATRIX ORGANIZATIONAL STRUCTURE



APPENDIX B

SAFETY PERFORMANCE

- Significant improvement over 1H FY2011
- 0 LTIs in 1H FY2012
- Safety is a key focus for Matrix

1H FY 12/11	Change (%)
Lost Time Injuries (LTIs)	↓ 100%
Lost Time Injury Frequency Rate (LTIFR)	↓ 100%
Medical Treatment Injuries (MTI's)	↓ 28%
Total Recordable Case Frequency Rate (TRCFR)	↓ 59%

APPENDIX B

MATRIX PRODUCTS AND SERVICES

	Products		Services
Drilling Products	<ul style="list-style-type: none"> •Riser Buoyancy Modules •Riser Protection 	<ul style="list-style-type: none"> •Riser Clamps 	
Well Construction	<ul style="list-style-type: none"> •Centralisers •Guide Shoes •Reamer Shoes 	<ul style="list-style-type: none"> •Float Equipment •Annulus protection 	
Upstream SURF and Ancillary products	<ul style="list-style-type: none"> •Buoyancy - general, flexible pipe & umbilical •Flexible flow lines & umbilical accessories 	<ul style="list-style-type: none"> •Clamping systems •Coating & protection •Installation accessories 	
Downstream Cryogenic Insulation	<ul style="list-style-type: none"> •Pipe elbows •Tee insulation •Valve Boxes 		
Offshore Services (MOSE)	<ul style="list-style-type: none"> •Connectors, conductors and casing •Offshore structures 	<ul style="list-style-type: none"> •Cranes & Winches •OEM Contract manufacturing & Repair 	<ul style="list-style-type: none"> •Testing, inspection, assembly, repair and maintenance •Field join coating, site services