FULL YEAR RESULT 2014

Matrix Composites & Engineering

13 August 2014

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OVERVIEW

- Highlights – FY14
- FY14 Financial Results
- Operational Review
- Strategy & Outlook

Drilling Riser Buoyancy Load-out

HIGHLIGHTS – FY14

Aaron Begley - CEO

HIGHLIGHTS – FY14

Financial

- Revenue $158.6m ↑ 9%
- EBITDA $20m ↑ 108%
- NPAT $3.0m
- Capital expenditure $7.2m ↑47.5%

Operating

- Group LTIFR 4.1 (as of 30 June 2014)
- Record year for SURF with 24 individual projects completed or awarded in FY14
- Stable and improved production output
- Successful re-instatement of three-shift production
- Successfully implemented materials efficiency initiatives

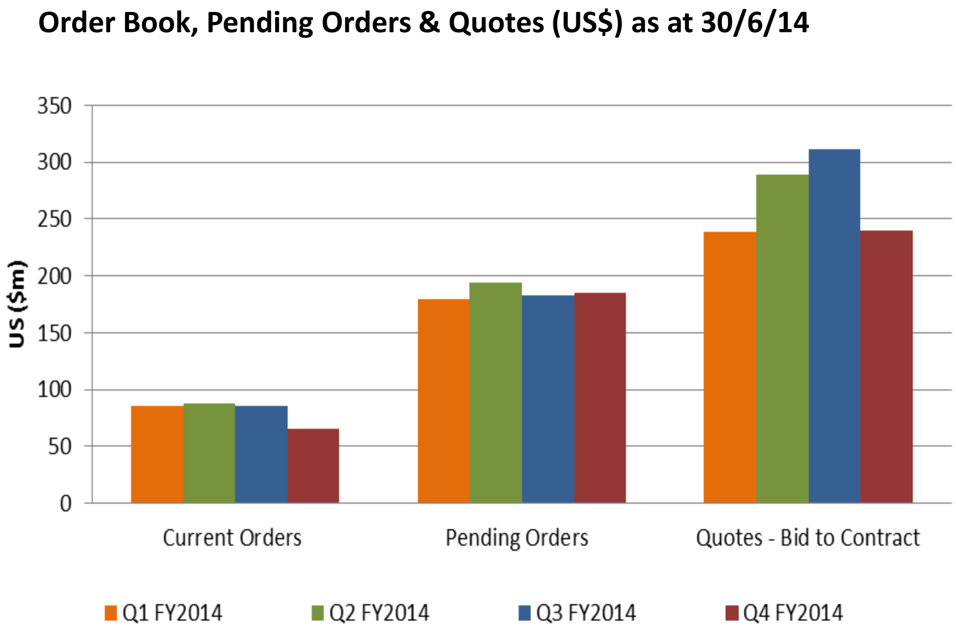
Strategic

- Continued penetration into Riser Buoyancy Repair and Replacement, SURF and Well Construction market
- Expansion of Well Construction distribution channels
- MOSE restructure – focus on services
- Continuation of Matrix Brand and Culture Initiative
- AS/NZS 4801:2001 obtained

HIGHLIGHTS OPERATIONAL

Order Book/ Pipeline

- Current order book US$65m (Q4)
- Decline in current orders in Q4 due to slower than anticipated order conversion
  - protracted award processes and slippage in vessel delivery dates



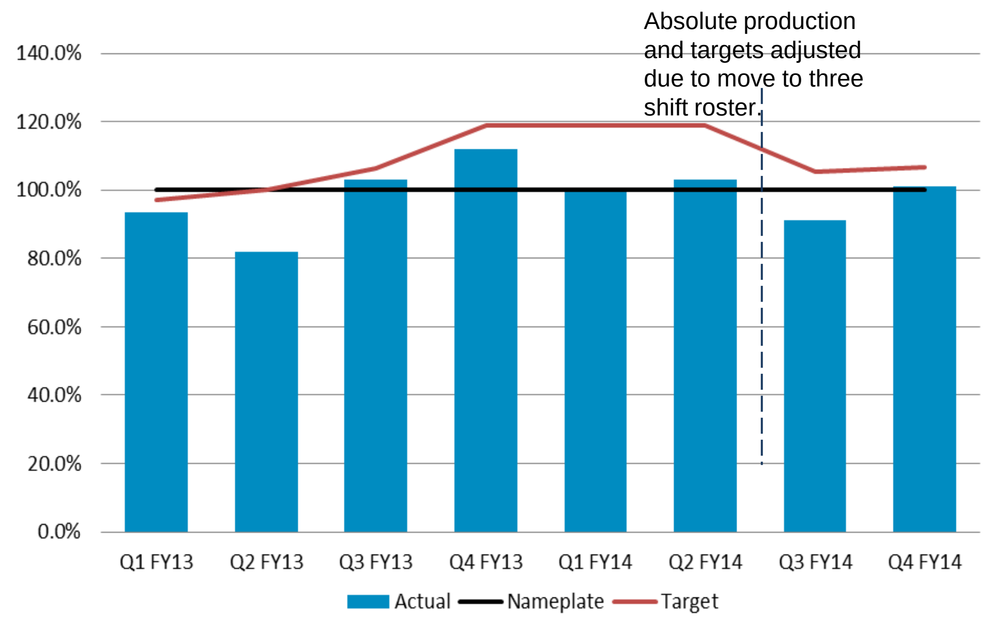
- Significant near term opportunities exist to replenish order book and support three shift production
- Strong quoting activity for Drilling Riser Buoyancy (DRB) and SURF products – quality quotation pipeline

HIGHLIGHTS
OPERATIONAL

Production

- Stable and improved production output
- Return to three shift roster – rapid response to market demand
- Successful implementation of further materials efficiency initiatives

Actual v Target Production Q1 FY13 – Q4 FY14



OHS/ Quality

- Group LTIFR 4.1 (as of 30 June 2014). Target zero.
- Offshore Services accredited to AS/NZS 4801:2001

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HIGHLIGHTS RESTRUCTURE

Business Restructure (Q4)

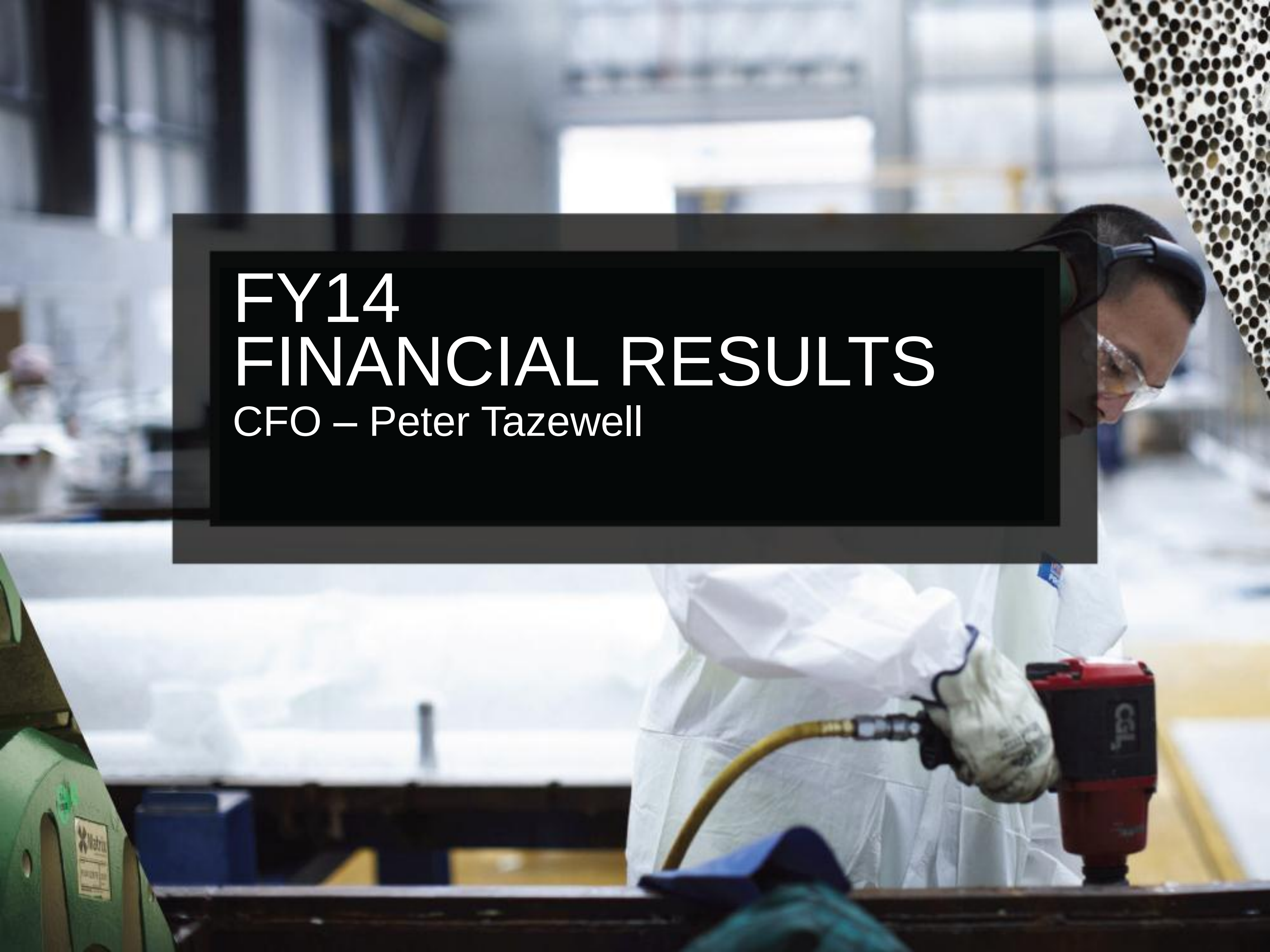
- All Engineering, Project Management, Procurement and Finance functions relocated to Henderson
- Restructure will assist business to transition to aftermarket for capital drilling equipment (CDE) products
- Products/ services provided by MOSE to be integrated into a single Matrix operating structure

Key Focus Areas

- Offshore - CDE and Offshore Services
  - Riser buoyancy, marine riser servicing, buoyancy aftermarket
  - Engineering services targeting offshore rigs and installations
- SURF – Engineered products and Subsea Solutions
  - maintenance and modifications, subsea equipment rental
- Well Construction – Engineered Products and Conductors

FY14
FINANCIAL RESULTS

CFO – Peter Tazewell



KEY METRICS

		FY2014	FY2013	Variance
Revenue	$m	158.6	145.5	9.0% ↑
EBITDAF	$m	20.0	9.6	108.3% ↑
EBITDA	$m	18.6	7.5	148.0% ↑
Net profit/(loss) after tax	$m	3.0	(2.9)	n/a
Earnings per share	c	3.2	(3.1)	n/a
Dividends per share	c	nil	nil	n/a
Gross Debt	$m	12.9	18.4	29.9% ↓
Adjusted Net Debt	$m	6.4	10.7	40.2% ↓
Interest Cover	times	9.6	5.4	77.8% ↑
Operating Cash Flow	$m	16.5	(2.2)	n/a
Employees		394	354	11.3% ↑
Backlog	US$m	65.0	80.0	18.8% ↓

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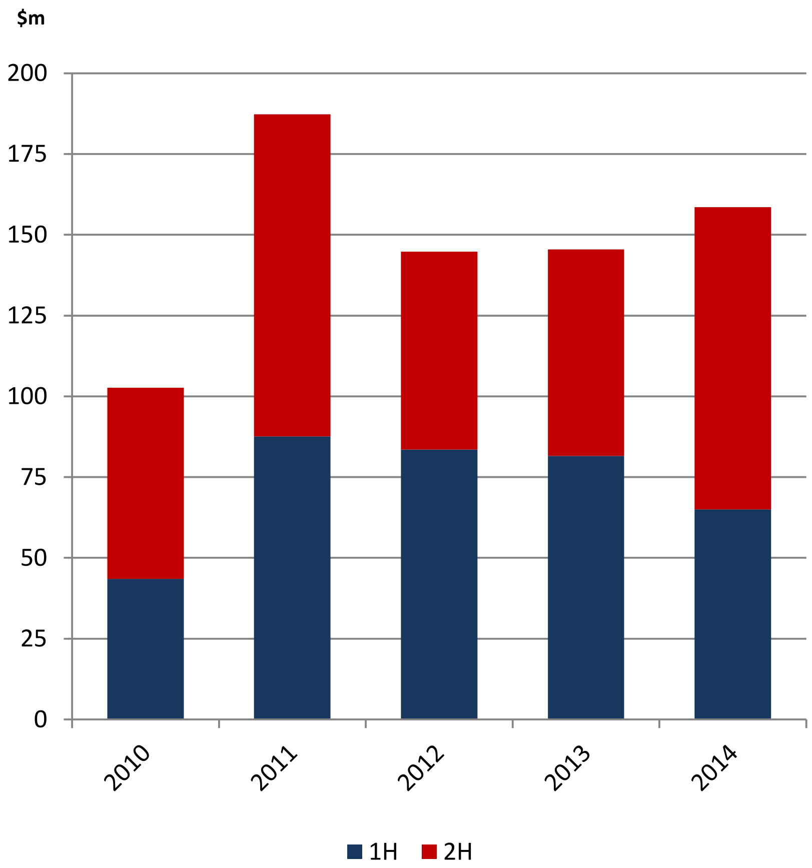
REVENUE



- 9.0% increase over FY14 revenue
- Increased 2H revenue arising from increased production
- Revenue exceeded market expectations
- Reduced revenue contribution from MOSE
- Persistently high AUD adversely impacting reported revenue
- Matrix remains well placed to benefit from falling AUD

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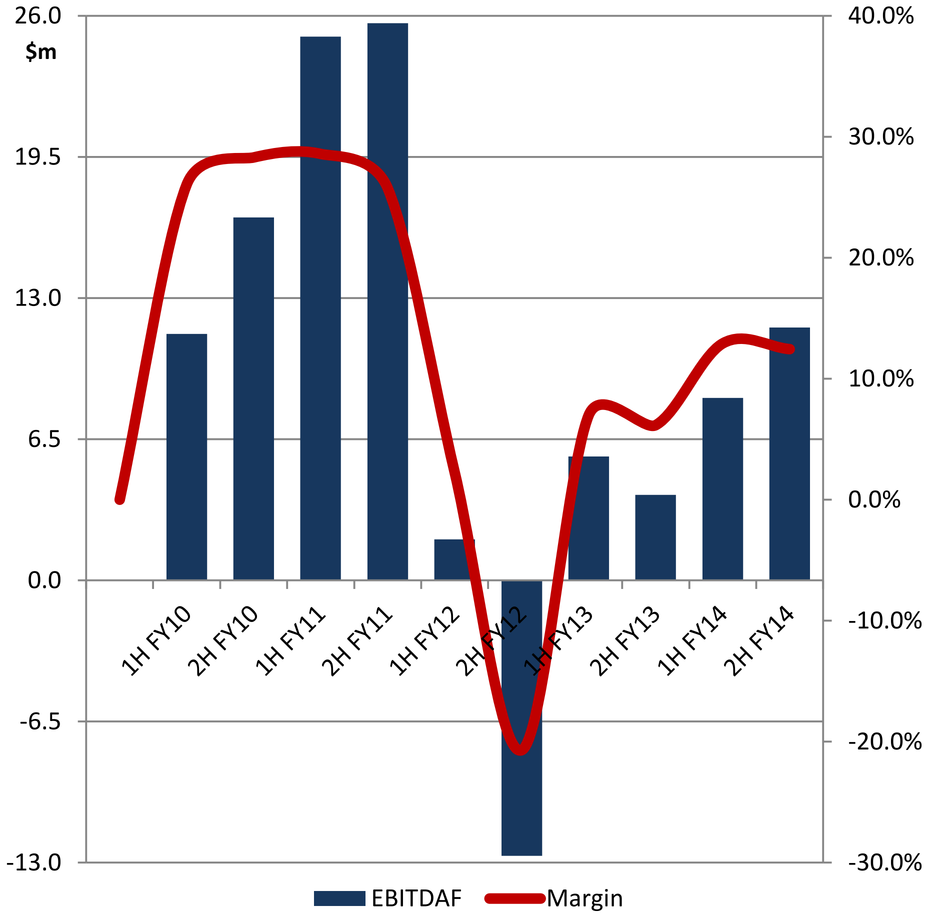
EBITDAF – MATRIX GROUP



- Strong 2H EBITDAF which has benefitted from:
  - Higher production levels
  - Materials efficiencies
  - Labour efficiencies
- EBITDAF margin of 12.6%
  - Margin remains challenged by persistently high AUD

PROFIT & LOSS

		FY2014	FY2013	Variance
Revenue	$m	158.6	145.5	9.0% ↑
EBITDAF	$m	20.0	9.6	108.3% ↑
Forex gain/(loss)	$m	(1.4)	(2.1)	33.3% ↓
EBITDA	$m	18.6	7.5	148.0% ↑
Depreciation/amortisation	$m	(11.9)	(10.3)	15.5% ↑
EBIT	$m	6.7	(2.8)	
Net Interest Expense	$m	(2.0)	(1.4)	
Tax (expense)/benefit	$m	(1.7)	1.2	
Statutory NPAT	$m	3.0	(2.9)	
Earnings per share	c	3.2	(3.1)	
Operational cash flow	$m	16.5	(2.2)	

BALANCE SHEET

$m	FY2014	FY2013
Cash and restricted cash	23.2	25.3
Trade receivables	20.0	17.2
Other receivables	9.8	9.6
Inventory	18.8	23.6
Property, plant & equipment	99.9	104.6
Intangible assets/deferred tax	16.2	18.3
Other assets	0.9	1.3
Total Assets	188.8	199.9
Trade payables	20.0	23.4
Progress billing	16.7	17.6
Financial liabilities	13.4	24.8
Provisions	1.9	1.8
Total Equity	136.8	132.3
Adjusted net debt	6.4	10.7
Net working capital	11.9	9.4
Gearing (ND/E)	4.7%	8.1%

- Strong working capital metrics (debtors + other receivables)
- Reduced inventory holdings
- Available cash adversely impacted by bonding requirements
- Reduced payables
- Reduced debt
- Low gearing

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DEBT & BANKING

- Operating within existing covenants
- Undrawn available facilities of US$10 million – significant available liquidity
- Gross debt continues to amortise sharply
- Adjusted net debt reducing sharply
- Facility review in September 2014

$m	FY2014	FY2013
Cash	19.5	16.0
Restricted cash	3.7	9.3
Progress billing	(16.7)	(17.6)
Gross Financial debt	(12.9)	(18.4)
Adjusted Net Debt	6.4	10.7

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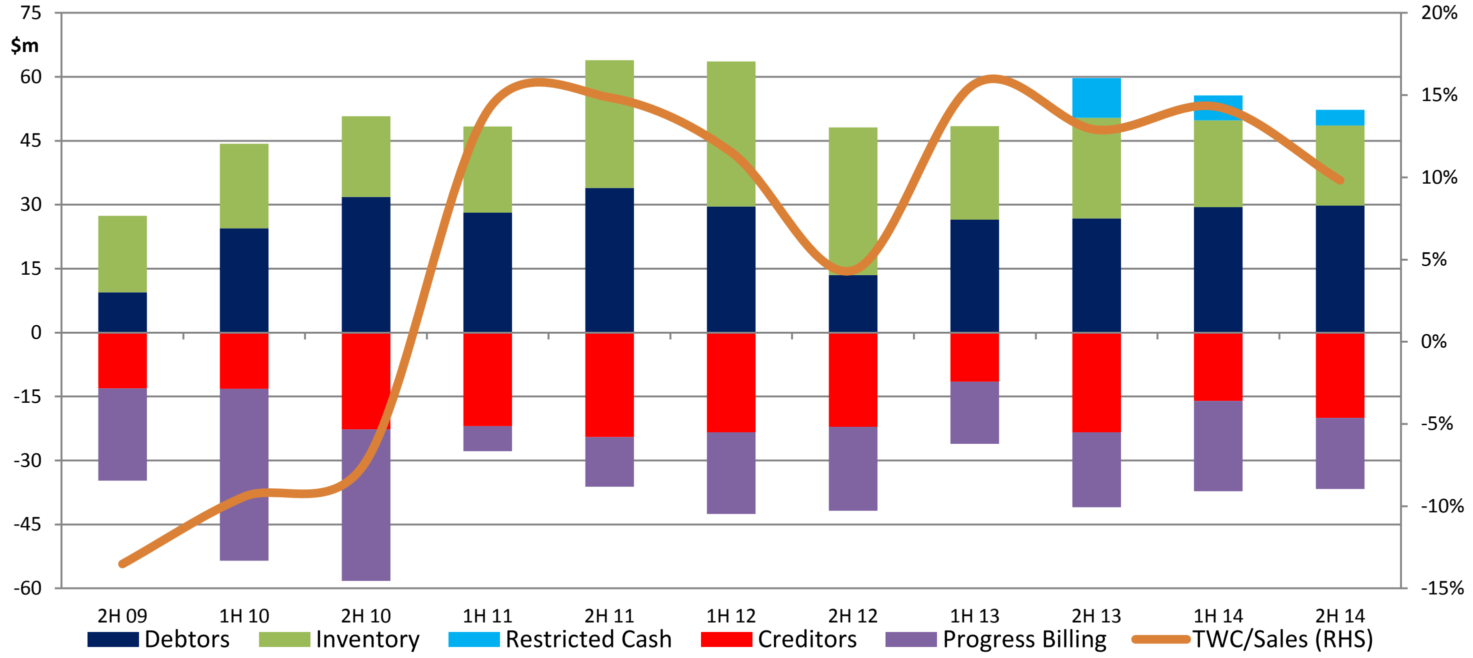
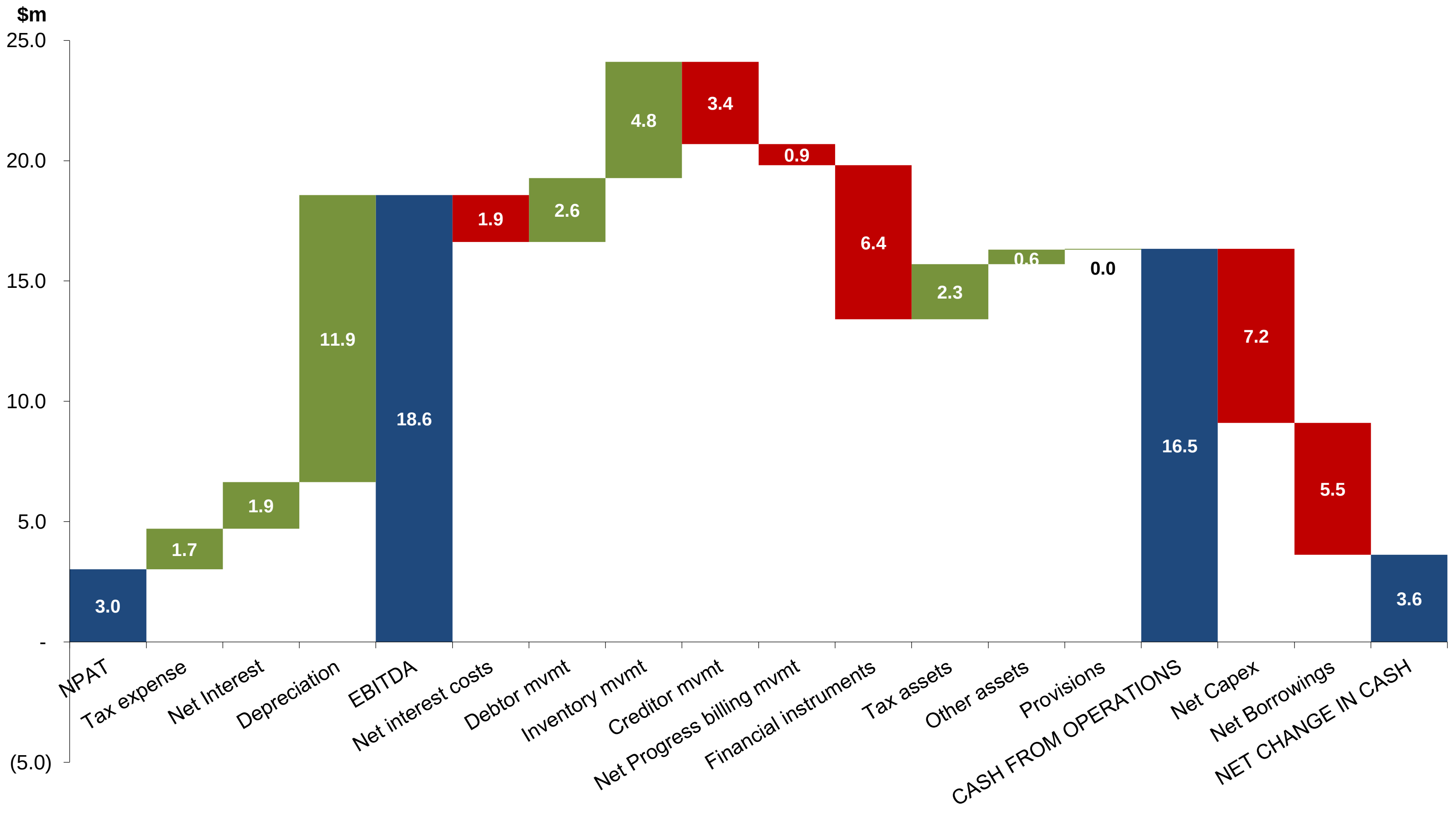
WORKING CAPITAL



- Working capital metrics stable
- Improved TWC/Sales ratio
- Restricted cash reducing

CASH FLOW FROM OPERATIONS



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SUMMARY

- Delivered above consensus Revenue and EBITDA
- Improved EBITDA margin maintained
- Balance sheet and working capital stabilised
- Strong cash flow generation
- Capital expenditure remains modest
- Significant debt reduction
- Modest gearing
- Unfavourable hedging eliminated

OPERATIONAL REVIEW

OFFSHORE

CDE (DRB)

- US$100m+ contracts awarded in FY14
- Delay in order conversions. Confident of converting new orders in the short term
- Pending order book and short turnaround project activity remain high
- Continued penetration of the strong replacement market
  - CDE services - platform for further growth
  - Aftermarket sales ≈ 20% of total buoyancy contracts in FY14
  - Facility well placed for fast turnaround drilling operations support
- Product diversification

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OFFSHORE

Offshore Services (CDE – Riser Service)

- Focus – offshore drilling contractors
- Aftermarket CDE and buoyancy services

Offshore Services

- Market growth in local offshore services market
- ↑ exposure to major drilling contractors operating floaters off the coast of WA and NT
- Growth in specialised services
  - Inspection, OEM equipment servicing, in-situ repairs/ modifications, bespoke engineering/ maintenance

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SURF

Umbilicals, Flowlines & Riser Products

- Record year – 24 individual projects completed
- Milestone deliveries:
  - Installation Buoyancy – Gorgon and Wheatstone projects (WA)
  - Distributed Flexible Flowline Buoyancy – major project in West Africa
  - Installation Buoyancy (150MT) and Mid Water Arch syntactic foam elements (3 x 225MT) for a major project off the WA coast
- Ongoing development/ qualification of Distributed Buoyancy Systems with major EPIC contractors and OEMs
- Current backlog and strong quotation activity support expectations of another record revenue year in FY15

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WELL CONSTRUCTION

Engineered Products (Centralizers)

- Centralizer sales below expectations although still growing
  - Sales expected to continue growing in FY15
- Recent third party/ client testing demonstrated a quality differential over competitor products
  - Receiving acknowledgement from industry
  - Confirms quality through continued innovation/ R&D
  - Continuing testing with clients/ potential clients
- Grow market share through continued expansion of distribution channels in the US and Canada
- Total market for centralizers remains strong and continues to grow

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STRATEGY & OUTLOOK

STRATEGY (THIS IN PLACE OF NXT 3 SLIDES) GROUP

	Strategy
Group	• Grow share of DRBM market in new build and aftermarket segments via OEMs, contractors and shipyards • Expand CDE Riser and DRBM aftermarket services capabilities in Australia and Internationally • Grow Offshore Rig & fixed installation service & maintenance market in Australia • Penetrate the subsea production buoyancy market, focusing on West Africa and the Americas • Continue with current Well Construction market penetration and distribution strategies in the NAM on offshore completions market.

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OUTLOOK
CDE

DRB

- Global expected demand for floaters ↑ from 266 rigs (2014) to 420 rigs (2020) (Graph 1)
- Market utilisation ↓ from 87% to 85% in 2015
  - due to an 8% ↑ in available new builds before recovering to an estimated 87% in 2016 (Graph 1)
- Forecast global demand and retirement of older rigs will sustain new build market until 2020
- Age of global floater fleet will support new build demand
- Expanding new build client base
  - Entry of Brazilian, Chinese and Singaporean shipyards

Source: IHS Petrodata, June 2014

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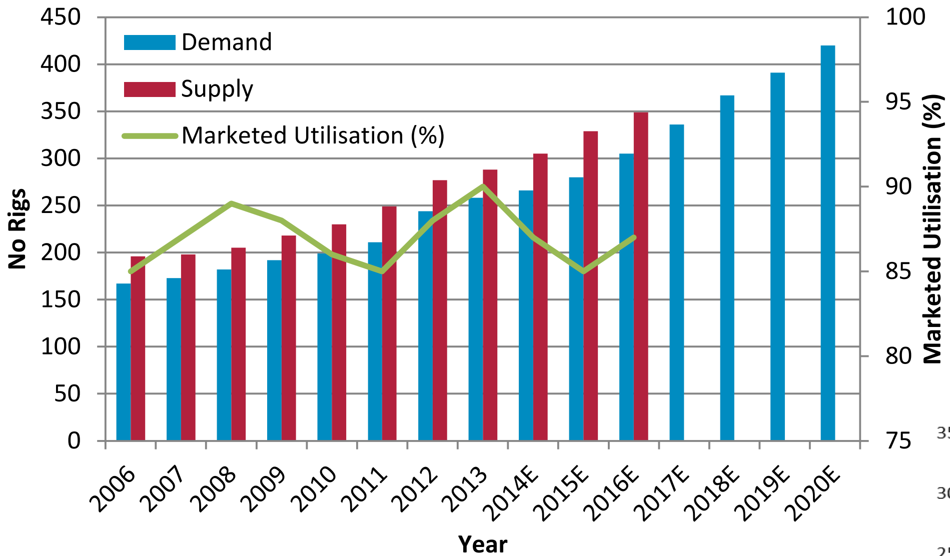
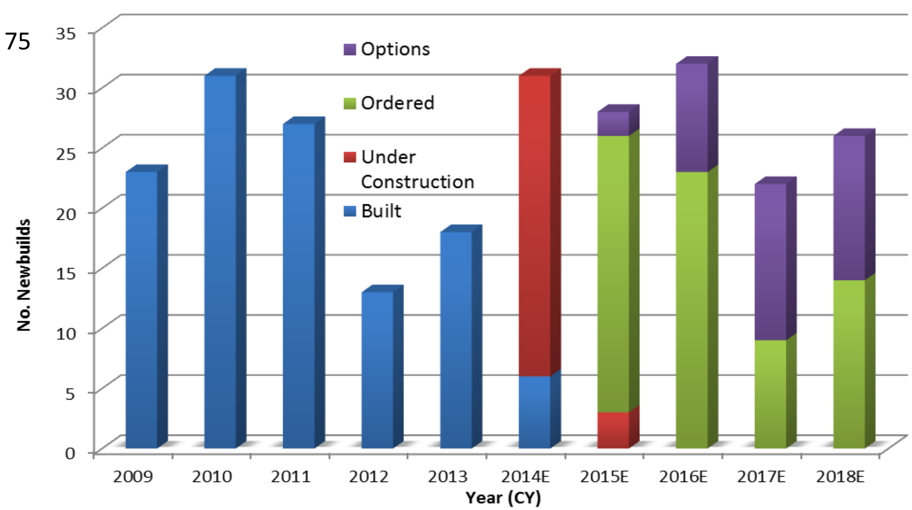
OUTLOOK
OFFSHORE – CDE/OFFSHORE SERVICES

Graph 1: Floater Supply/ Demand



Graph 2: World Number of Confirmed Newbuilds



Data Source: Morgan Stanley, Global Oil Services, Drilling & Equipment, 28 July 2014

Data Source: Company Data, June 2014

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OUTLOOK
OFFSHORE SERVICES

CDE

- Size of global operating floater market expected to ↑ by 8% in 2015, and ↑ 6% in 2016 (Graph 1)
- Record number of floaters expected in Australian waters
  - 14 floaters in 2015 (Graph 3)
  - Supports a likely increase in CDE, Riser and DRB product repairs/ replacements in FY15. Source: IHS Petrodata, June 2014, Rigzone, August 2014, Spears & Associates, June 2014

Offshore Services

- Record number of floaters expected in Australian waters supports growth in offshore floater maintenance market
- Large number of projects in commissioning/ installation stage (FY15)
  - Gorgon, Coniston, Balnaves, Wheatstone.

    Source: IHS Petrodata, June 2014

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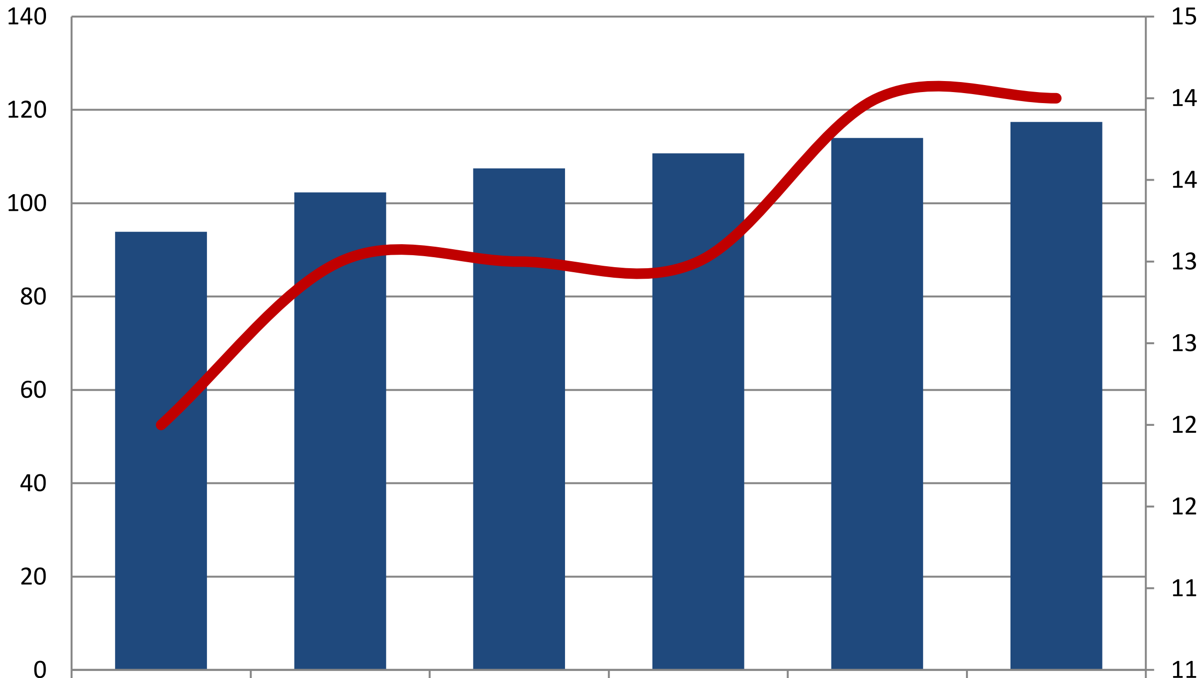
OUTLOOK
OFFSHORE – CDE/OFFSHORE SERVICES

Graph 3: Australian Offshore Rig & Well Forecast 2014-2019



	2014	2015	2016	2017	2018	2019
Offshore Wells	94	102	107	111	114	117
Offshore Rigs	12	13	13	13	14	14

Source: Baker Hughes, July 2014. Spears & Associates, June 2014. Rigzone, August 2014

OUTLOOK
SURF

SURF Engineered Products

- Strong global growth projected for FPS to 2017 (Graph 4 & 5)
  - FPS expenditure expected to ↑ by 68% from 2014 to 2017
- Backlogs of major oilfield services (OFS) companies at all time highs (Graph 6)
- 821 FPS projects due for delivery between 2017-2018
  - Twice the number between 2008-2012
- Australasia gaining market share for FPS
  - projected 15% of spend to 2017 (Graph 4)
- Forecast Australasian spend on FPS developments - US$3.7b in 2017 (Graph 5)
- Deepwater FPS developments > 1500msw exhibit strongest expected growth of 33% total spend to 2017 (Graph 7)
- Most deepwater developments economic at oil prices above US$71/BBL

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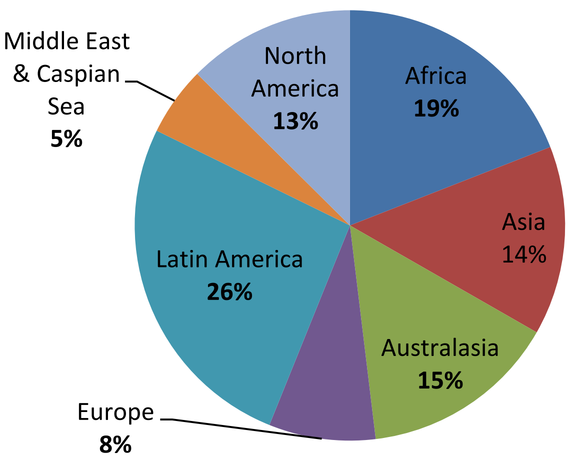
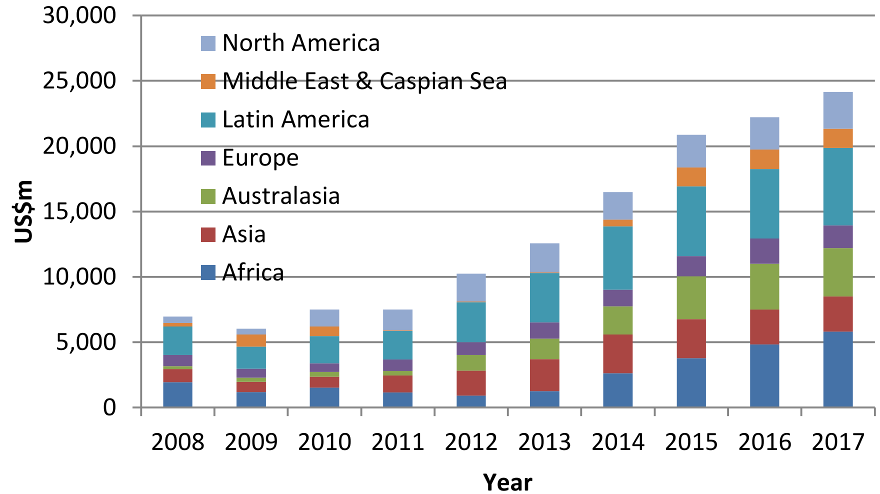
OUTLOOK
SURF

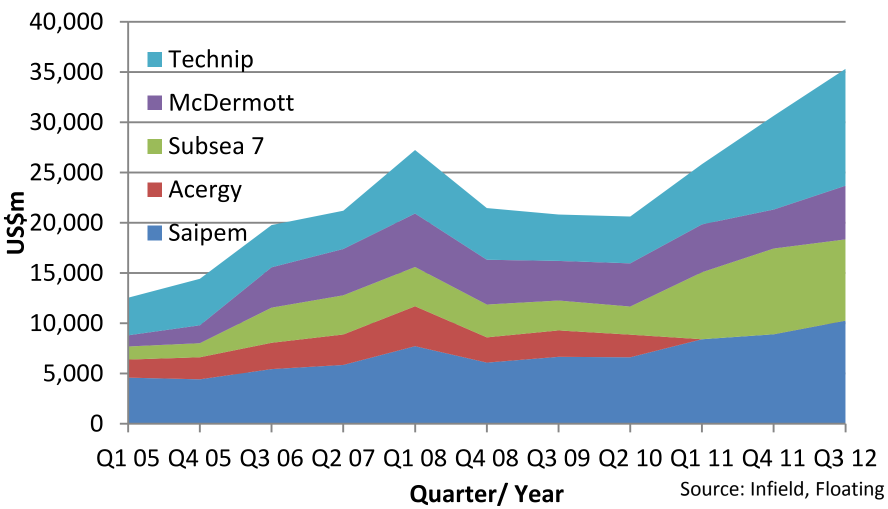
Graph 4: FPS Expenditure (%) by REGION 2013-17



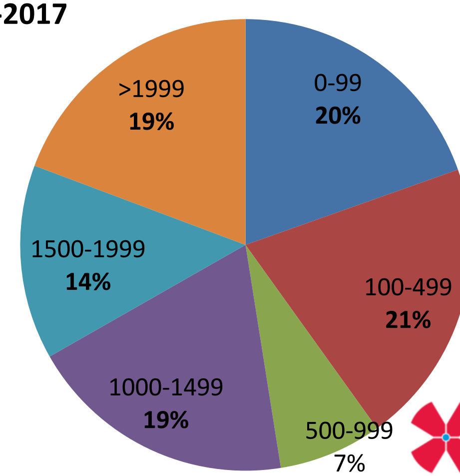
Graph 5: FPS Expenditure (US$m) by Region 2008-17



Graph 6: Offshore Backlogs: OFS Majors



Graph 7: FPS Expenditure (US$m) by WATER DEPTH(m) 2013-2017



Source: Infield, Floating Production Systems: Market Report to 2017.

OUTLOOK
WELL CONSTRUCTION

- Total global number of wells and footage drilled expected to ↑ to year 2019 (Baker Hughes, Spears & Associates, Dec 2013)
- Growth in North American (NA) market expected to ↑ before flattening beyond 2015
  - Horizontal completions represent the majority of wells drilled in NA – target market for Matrix centralizer products
- Growth in other markets - Brazil, West Africa, Thailand, Malaysia, Indonesia
- Australian offshore wells forecast to ↑ from 94 (2014) to 102 (2015)

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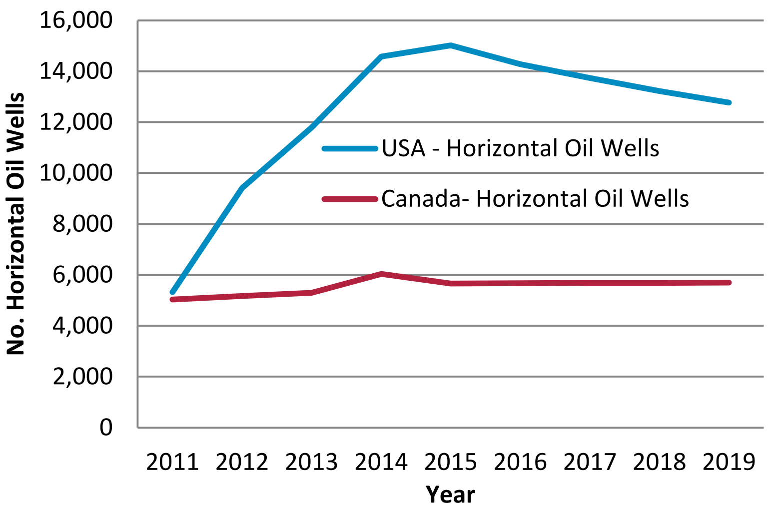
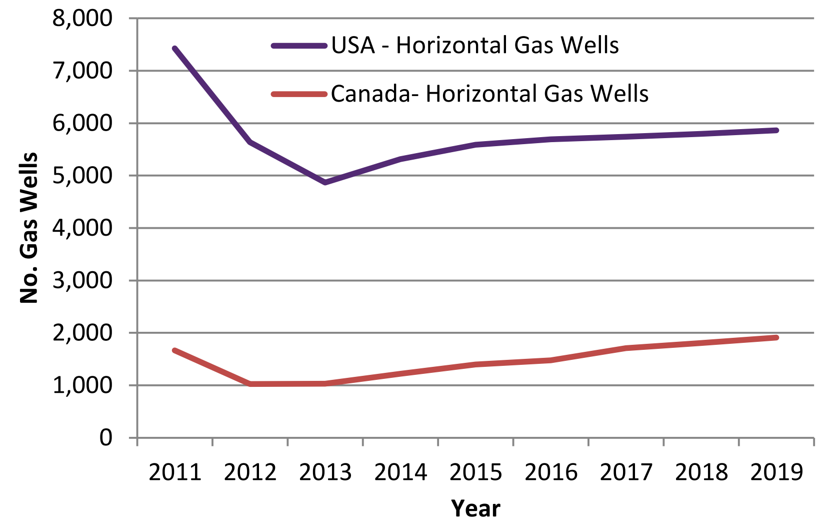
OUTLOOK
WELL CONSTRUCTION

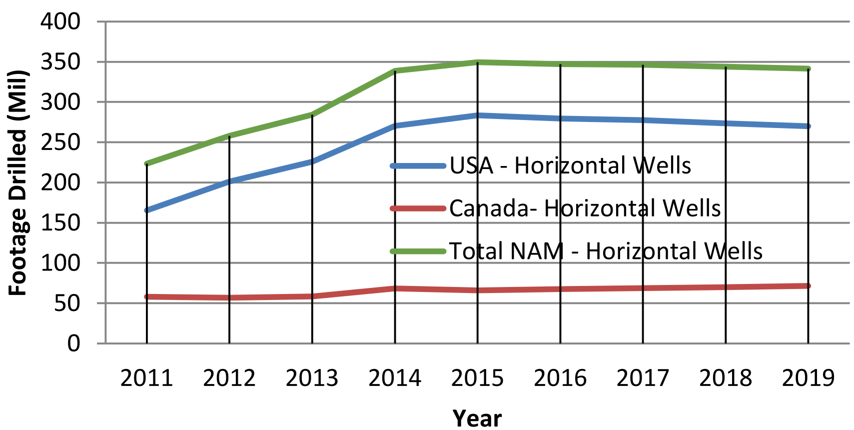
Graph 13: Oil Wells Drilled By Region



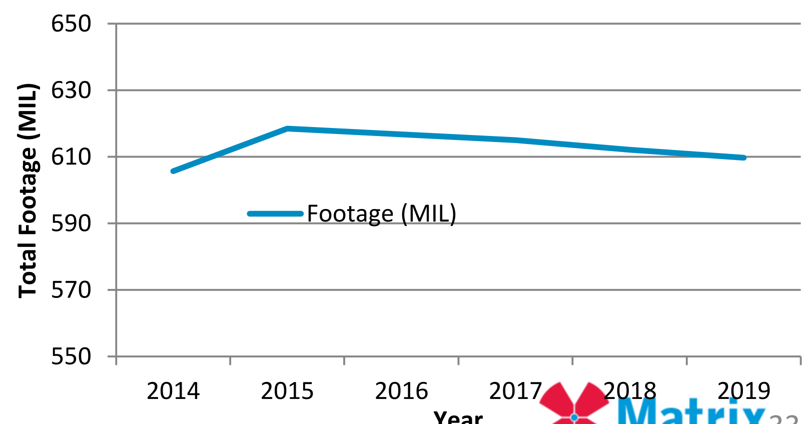
Graph 14: Gas Wells Drilled By Region



Graph 15: Footage Drilled By Region (Mil)



Graph 16: Footage Drilled (Mil): World (exc Russia, China, Central Asia)



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Data Source: Baker Hughes, July 2014. Spears & Associates, June 2014

SUMMARY

- EBITDAF $20.0m (↑108%) EBITDA $18.6 million (↑148%)
- NPAT $3.0 million
- Balance Sheet – metrics stable with ongoing debt reduction.
- Stable and improved production output
- Continued penetration into Riser Buoyancy Repair and Replacement, SURF and Well Construction markets
- Well positioned to take advantage of short term opportunities
- Markets for key and diversified product lines remain strong

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