

# 2014 ANNUAL GENERAL MEETING

Matrix Composites & Engineering Ltd

5 November 2014

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# AGENDA

- Introduction
- Quorum
- Board Members
- Voting Instructions
- Notice of Meeting
- Previous Minutes
- Meeting Procedure
- Chairperson's Address
- Resolutions
- CEO Presentation

# CHAIRPERSON'S ADDRESS



Mr Peter Hood  
Chairperson

# FINANCIAL STATEMENTS

- To receive and consider the Financial Statements of the Company for the year ended 30 June 2014, consisting of the Income Statements, Statement of Financial Position, Statements of Changes in Equity, Statements of Cash Flows, the Directors' Report, the Directors' Declaration and the Auditor's Report.

# RESOLUTION 1

- That Mr Steven Cole, being a Director of the Company appointed since the last Annual General Meeting who in accordance with clause 11.12 of the Company's Constitution is eligible to be re-elected, is re-elected as a Director of the Company.

For	Open	Against	Abstain
39,750,318	100,756	149,676	14,474

# RESOLUTION 2

- That Dr Duncan Paul Clegg, being a Director of the Company appointed since the last Annual General Meeting who in accordance with clause 11.12 of the Company's Constitution is eligible to be re-elected, is re-elected as a Director of the Company.

For	Open	Against	Abstain
39,746,030	113,044	141,676	14,474

# RESOLUTION 3

- That Mr Craig Neil Duncan, being a Director of the Company, retiring by rotation in accordance with clause 11.3 of the Company's constitution, and being eligible, is re-elected as a Director of the Company.

For	Open	Against	Abstain
39,715,100	105,044	181,046	14,034



# RESOLUTION 4

- That the Remuneration Report, as set out in pages 25 to 30 of the Company's 2014 Annual Report, is adopted
  - Please note that the vote on this resolution is advisory and does not bind the Directors' or the Company
- Voting Exclusion Statement
  - Votes cast by shareholders that are defined as key management personnel or a closely related party are excluded.

For	Open	Against	Abstain
38,410,373	97,935	218,152	8,764

# CLOSURE

- Any other business which may be brought forward in accordance with the Company's Constitution and the *Corporations Act 2001*
- Close of meeting – Mr Peter Hood, Chairperson

# CEO'S PRESENTATION



Mr Aaron Begley  
Chief Executive Officer/  
Managing Director

# HIGHLIGHTS FINANCIAL

\$m		FY14	FY13	% Change
Revenue	\$m	158.6	145.5	9.0
EBITDAF	\$m	20.0	9.6	108.3
EBITDA	\$m	18.6	7.5	148.0
NPAT	\$m	3.0	(3.0)	nm
Capital Expenditure	\$m	7.2	4.9	46.9
Backlog	US\$m	65.0	80.0	(18.7)
Current Backlog	US\$m	109.0		

# HIGHLIGHTS KEY OPERATIONAL ACHIEVEMENTS

## Corporate

- Balance sheet strengthened, significant debt reduction
- Reorganised Group operations:
  - 3 business lines representing key products and markets; Offshore, SURF and Well Construction
  - Integrated support functions across all business lines
- Winner – WA Industry & Export Awards
  - Manufacturing Export Award, Hall of Fame, Special Commendation

## QHSE

- Group LTIFR 4.1 (June 30th 2014) improved to 1.4 by 30 September 2014

# HIGHLIGHTS KEY OPERATIONAL ACHIEVEMENTS

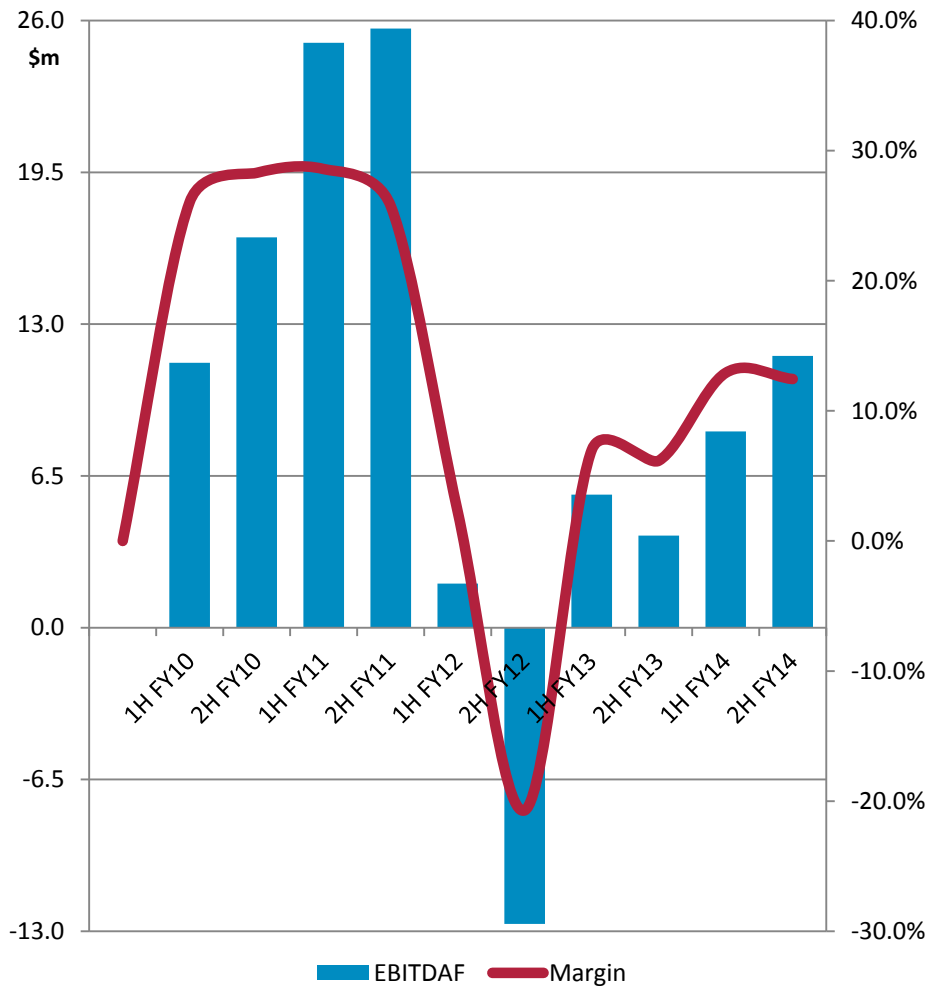
## Production

- Resumed 3 shift operation in Q3 FY14
  - allows rapid response to market demand
- Production and operational stability throughout the year

## Strategic

- Entering riser management business
  - platform for drilling riser buoyancy (DRB) aftermarket
- Significant investment in R&D - capital drilling equipment (CDE) and SURF products to drive growth
- In a position to consider strategic growth opportunities

# HIGHLIGHTS FY2014



- Recovery continued
- Steady earnings growth over 2 years
- Strong 2H EBITDAF which has benefitted from:
  - Higher production levels
  - Materials efficiencies
  - Labour efficiencies
- EBITDAF margin of 12.6%
  - Margin challenged by high AUD

# HIGHLIGHTS FY2014

## Order Book/ Pipeline

### Order Book, Pending Orders & Quotes (US\$m) as at 31/10/14



- Strong recovery in order book - US\$109m (as at 31 October 2014)
- Continued strong opportunity pipeline



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 is overlaid on the image, containing the text "FY2014 FINANCIAL RESULTS".

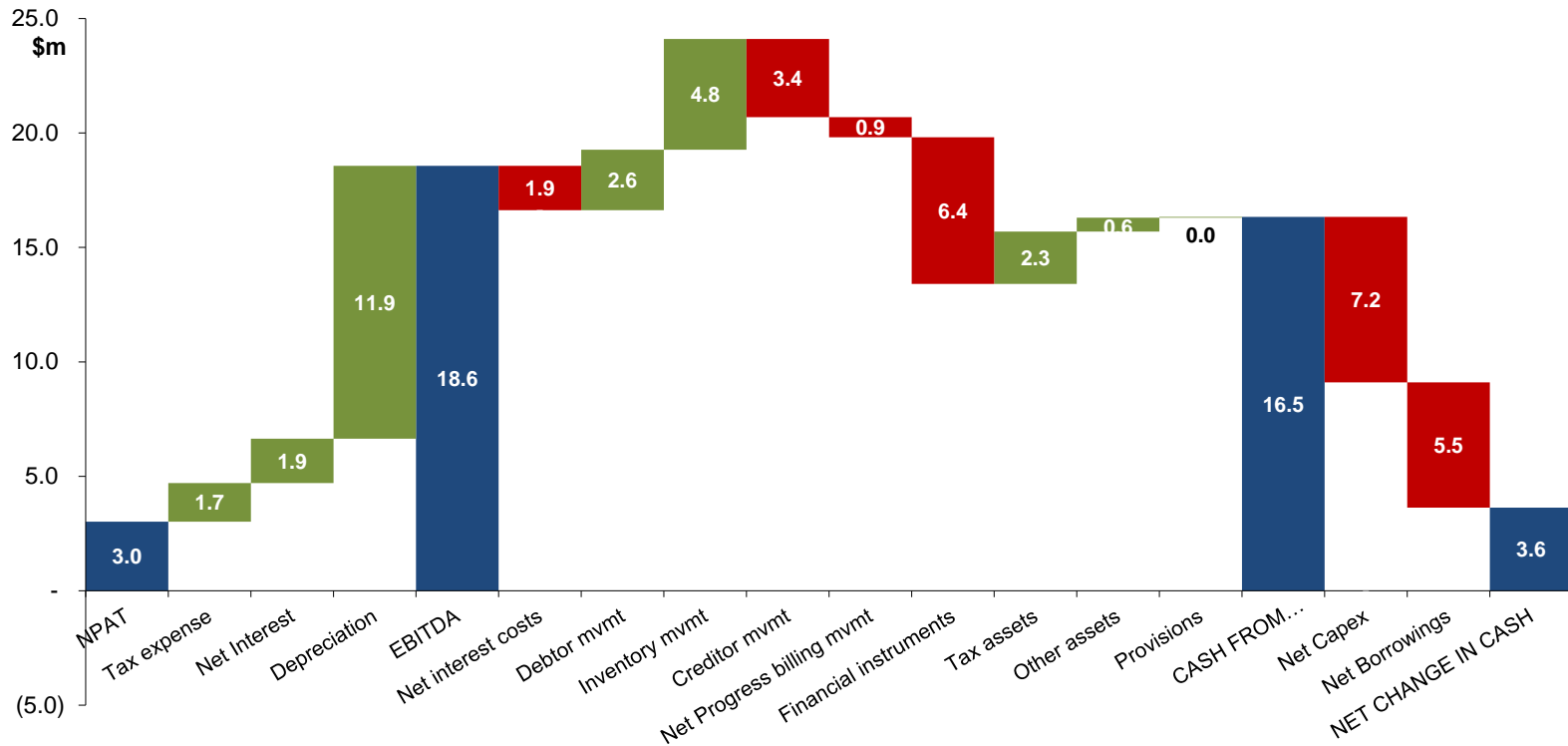
# FY2014 FINANCIAL RESULTS

# EARNINGS

		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% ↓
<b>EBITDA</b>	\$m	<b>18.6</b>	<b>7.5</b>	<b>148.0% ↑</b>
Depreciation/amortisation	\$m	(11.9)	(10.3)	15.5% ↑
<b>EBIT</b>	\$m	<b>6.7</b>	<b>(2.8)</b>	
Net Interest Expense	\$m	(2.0)	(1.4)	
Tax (expense)/benefit	\$m	(1.7)	1.2	
<b>Statutory NPAT</b>	\$m	<b>3.0</b>	<b>(2.9)</b>	
Earnings per share	c	3.2	(3.1)	
Operational cash flow	\$m	16.5	(2.2)	

- 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

# CASH FLOW FROM OPERATIONS



- High cash conversion ratio of 89%
- Elevated CAPEX \$7.2m, supporting ↑ production
- \$11.9m ↓ in bank indebtedness

# 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
<b>Total Assets</b>	<b>188.8</b>	<b>199.9</b>
Trade payables	20.0	23.4
Progress billing	16.7	17.6
Financial liabilities	13.4	24.8
Provisions	1.9	1.8
<b>Total Equity</b>	<b>136.8</b>	<b>132.3</b>
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, net debt \$6.4m
  - Operating within existing covenants
  - Undrawn available facilities of US\$10 million; significant available liquidity

# BUSINESS REORGANIZATION RATIONALE

## Key Challenges

- Traditional machining and fabrication revenues eroded as the mining CAPEX cycle slowed
- Separate Engineering, Project Management, Procurement and Finance functions
- Limited synergies between businesses at a functional level

## Outcomes

- MOSE capabilities and personnel merged into the Group to support Group requirements
- Malaga workshop and site services retained to service aftermarket business and maintain machining and assembly capabilities
- Reorganised to service Offshore/ CDE, SURF and well construction product (WCP) business lines
- Will assist business to transition to aftermarket for CDE products

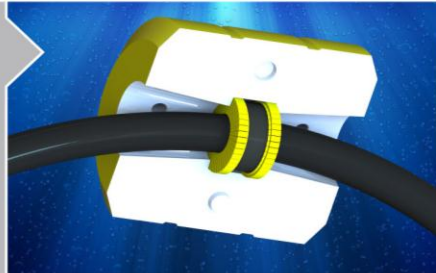
# BUSINESS REORGANIZATION PRODUCTS

## PRODUCTS / SERVICES

**Offshore**  
Capital Drilling Equipment  
& Offshore Services



**SURF**  
Products & Solutions



**Well Construction**  
Products



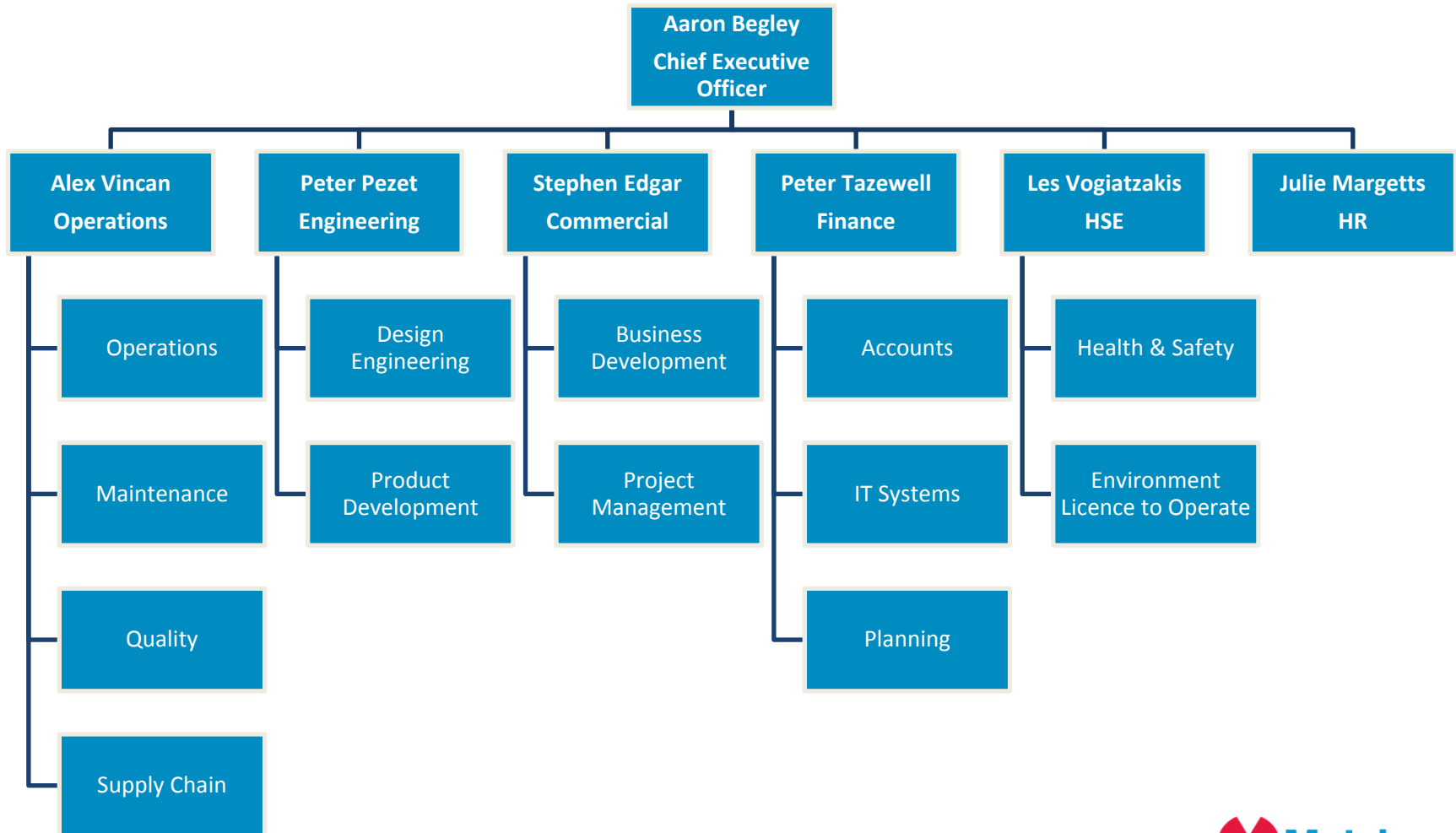
## MATERIALS

Syntactic Foams, Composites & Thick Section Thermoplastics

## COMPETENCIES

Materials Technology & Application

# BUSINESS REORGANIZATION ORGANIZATION



# OUTLOOK



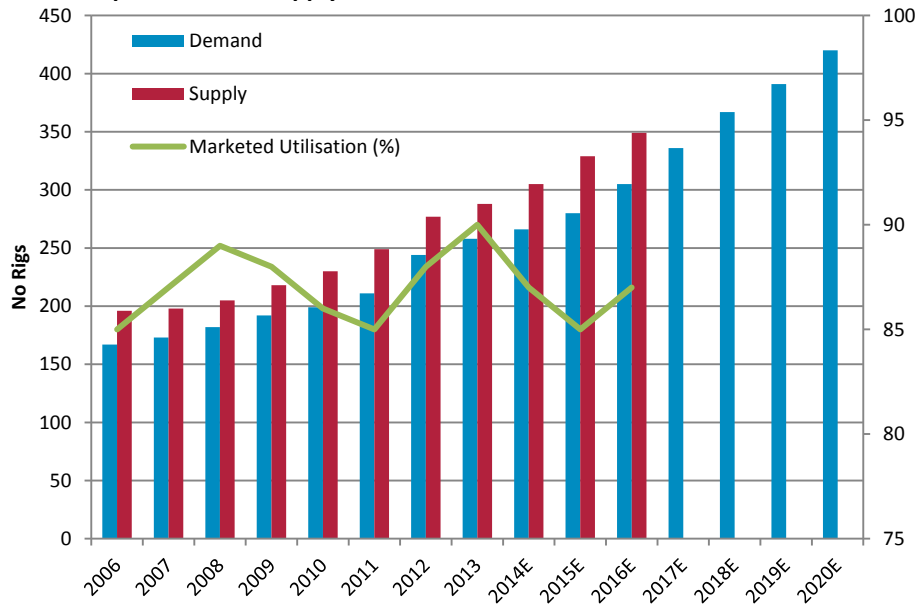


# CDE & OFFSHORE OUTLOOK

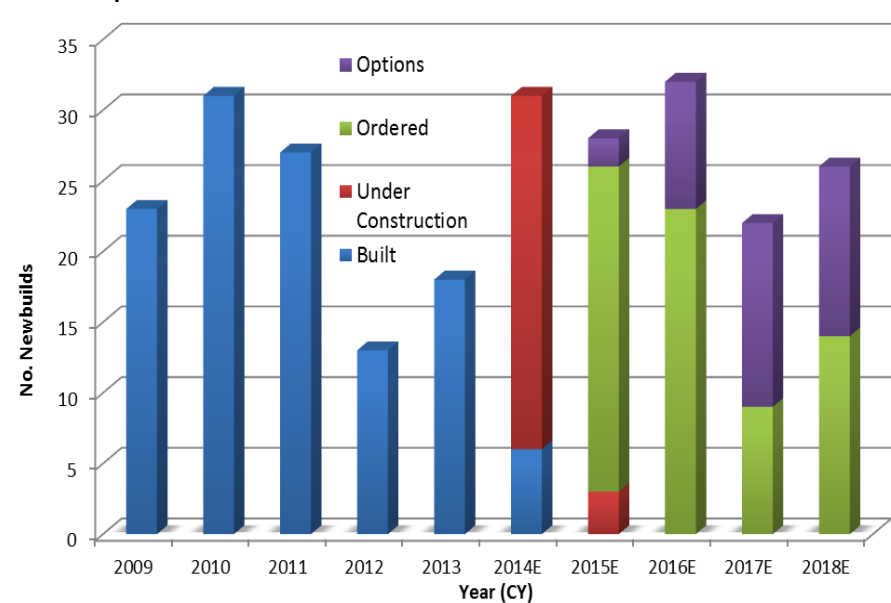


# CDE & OFFSHORE OUTLOOK

Graph 1 - Floater Supply/ Demand



Graph 2 - World Number of Confirmed Newbuilds

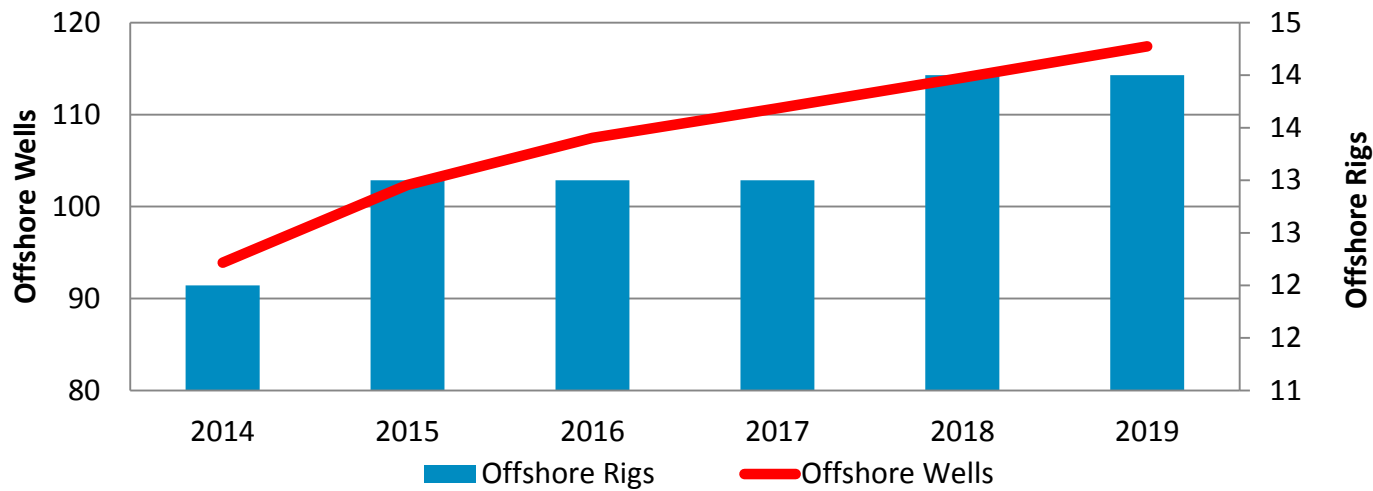


## CDE

- Size of global operating floater market expected to ↑ by 8% in 2015, and ↑ 6% in 2016 (Graph 1)
  - Supports a likely increase in CDE, Riser and DRB product repairs/ replacements in FY15
- Rig utilization declining in 2015 before 2016 recovery, will drive retirement of older rigs

# CDE & OFFSHORE OUTLOOK

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



## Offshore Services

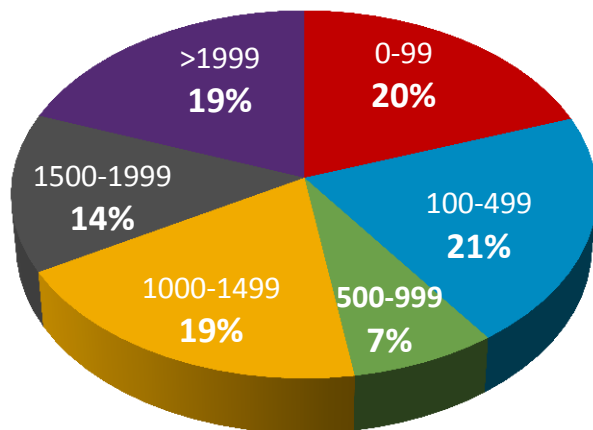
- Record number of floaters expected in Australian waters
  - supports growth in offshore floater maintenance market
- Large number of projects in commissioning/ installation stage (FY15)
  - Gorgon, Ichthys, Prelude, Wheatstone.

# SURF OUTLOOK

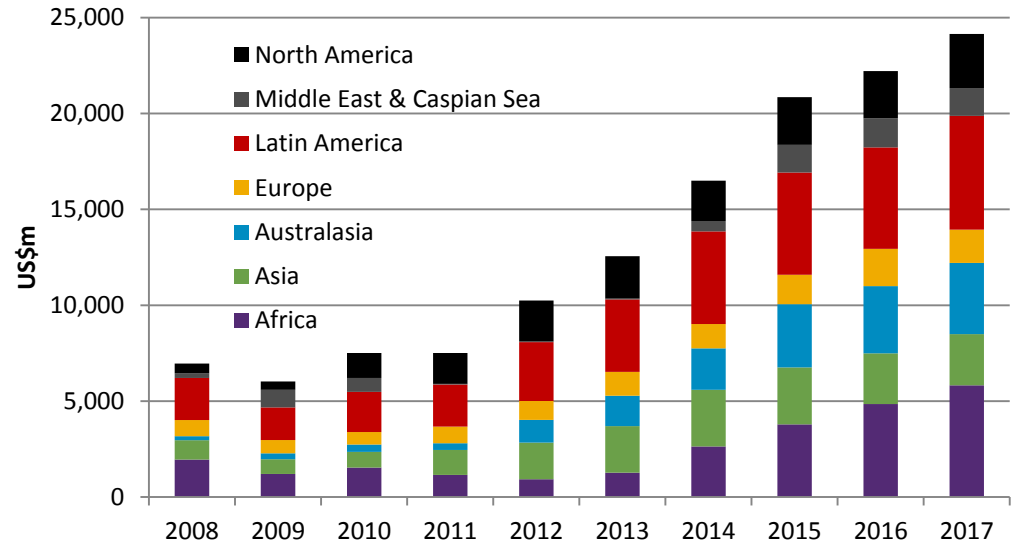


# SURF OUTLOOK

Graph 4: FPS Expenditure (US\$m) by Water Depth m) 2013-2017



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



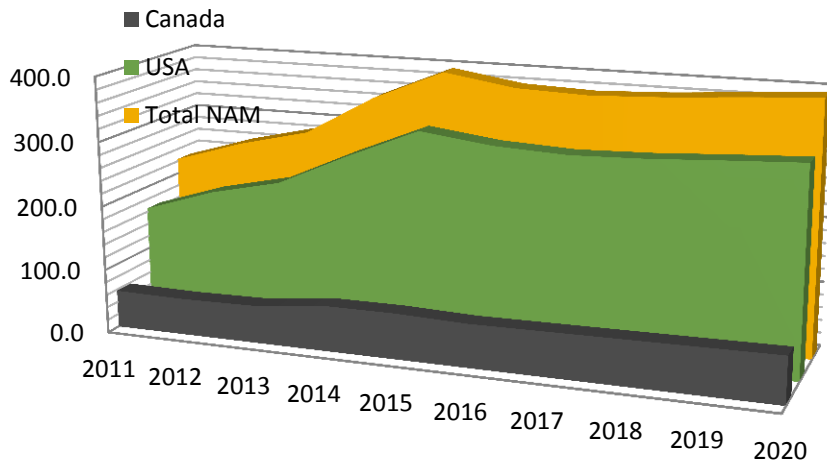
- Strong global growth projected for FPS to 2017
  - FPS expenditure expected to ↑ by 68% from 2014 to 2017
- 821 FPS projects due for delivery between 2017-2018
  - Twice the number between 2008-2012
- Deepwater FPS developments > 1500msw exhibit strongest expected growth of 33% total spend to 2017

# WELL CONSTRUCTION OUTLOOK

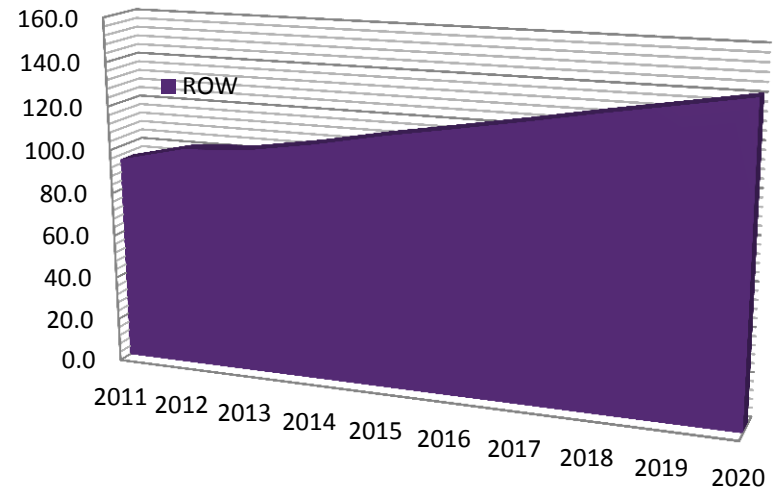


# WELL CONSTRUCTION OUTLOOK

**Graph 6: Horizontal Footage Drilled By Region (Mil)**



**Graph 7: Footage Drilled (Mil): World (exc Russia, China, Central Asia)**



- Sustained activity in horizontal well completions
- Total global number of wells and footage drilled expected to ↑ to 2019
- 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

# SAFETY, QUALITY & PEOPLE

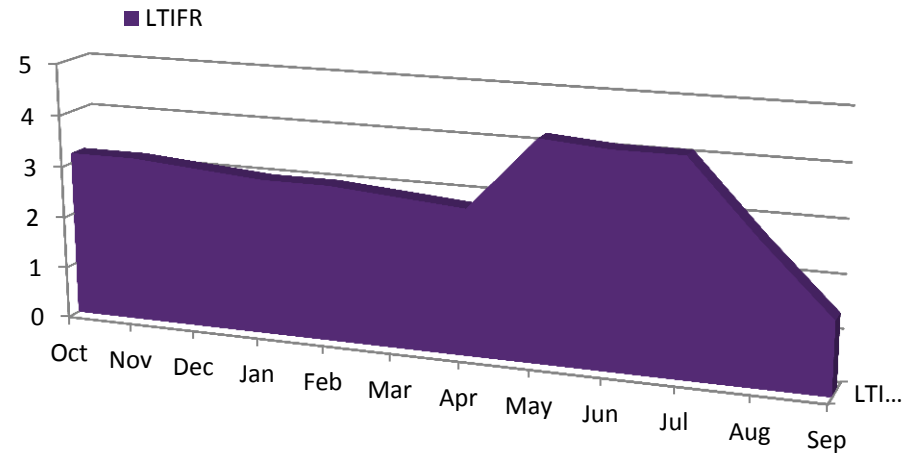




# SAFETY & QUALITY

## Performance

- Group LTIFR of 4.1 (June 30 2014) improved to 1.4 by 30 September 2014.
- Target zero



## Achievements

- AS 4801 - Malaga and Henderson sites accredited
- ISO 9000 and API Q1 maintained throughout the year
- Property loss prevention award from Affiliated FM



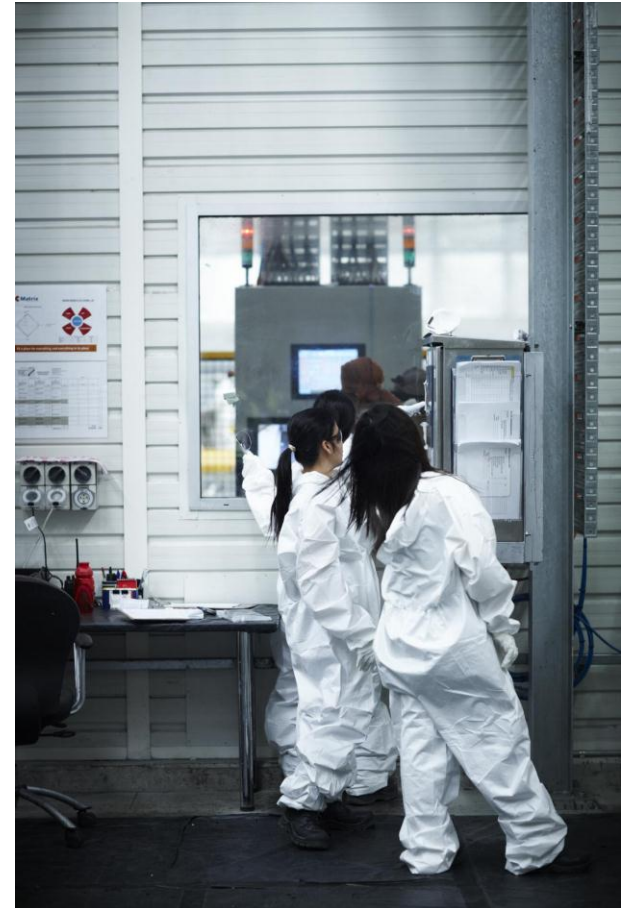
# PEOPLE

## Workforce

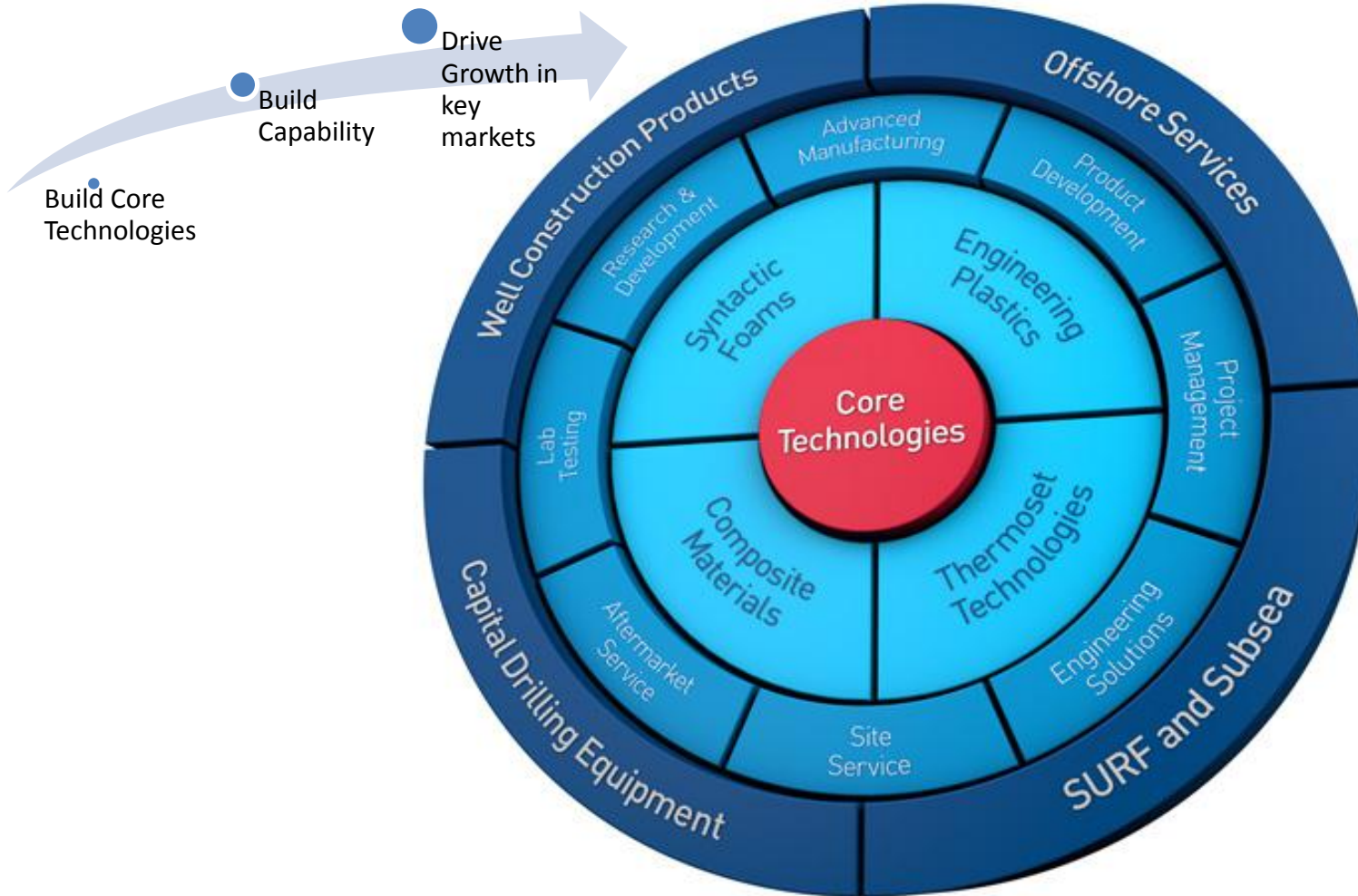
- 395 employees across 4 sites including Henderson, Malaga, Houston and Newcastle (UK)
- Gender composition M/F%: 83/17
- More than 60 qualified engineers and scientists

## Brand & Culture

- Company values rolled out across the work force
- Proactive involvement with senior staff to buy into vision, values and strategy



# STRATEGIES



# STRATEGIES CORPORATE

## Debt Finance

- Currently finalising new debt facilities

## Systems

- Business reporting and ERP systems will be upgraded to improve efficiency and support growth

## Brand & Culture

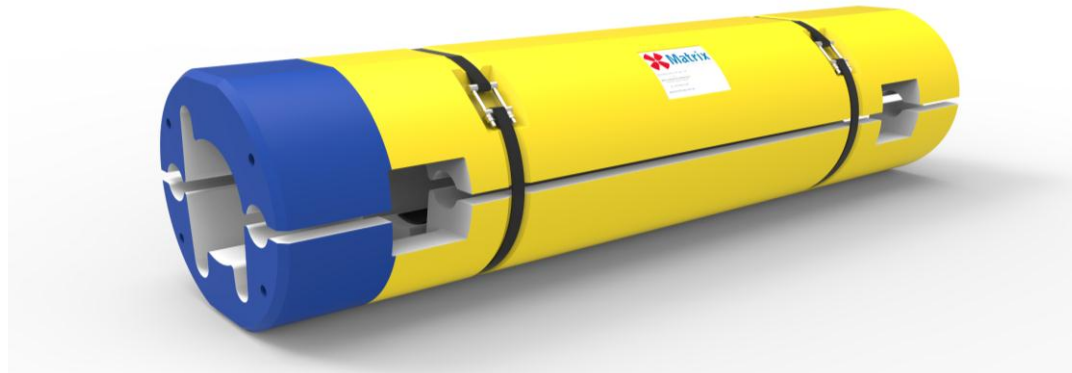
- Continue to build brand and culture alignment across organization

## Growth Opportunities

- In a position to consider strategic growth opportunities that fit the business's core capabilities, competencies and technologies

# STRATEGIES

## CDE – DRILLING RISER BUOYANCY



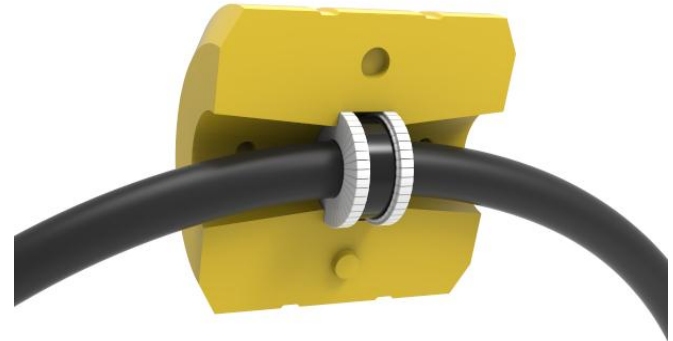
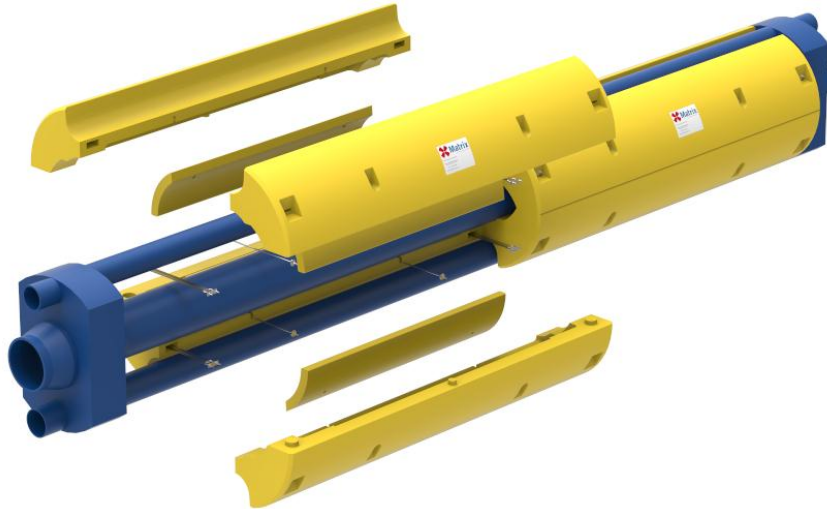
- Maintain market leading position - continued investment in materials and product R&D
- Product diversification
  - Nautilus™ Riser & Buoyancy Protection System
  - awarded full US Patent in 2014
- BV certification programme – third party certification of deepwater buoyancy to 12,000’
  - first company in the world to do this – leading quality in the market

# STRATEGIES OFFSHORE – DRILLING RISER MANAGEMENT



- Management of drilling riser preservation, inspection and maintenance for offshore drilling contractors
- Karratha riser facility to be established by November 2014
  - targeting international contractors operating in Australian waters
- Business model is scalable, opportunities in Africa, Asia and the Americas
- Riser management is a stand alone business model that supports aftermarket sales of buoyancy, riser ancillaries and repairs

# STRATEGIES SURF – ENGINEERED PRODUCTS



- Distributed buoyancy clamping system - committed \$1.5m in R&D Capex
  - accessing market with potential size \$80m+ p.a
- Materials and vendor qualification programme with European based operators and EPIC contractors
  - new long term testing facilities operational – critical for qualifying products - \$500K spend
- Leveraging new recently commercialised IsoBlox™ system to global markets
  - 3 projects already executed, valued in excess of \$9m.

# STRATEGY

## WELL CONSTRUCTION PRODUCTS

### Downhole Polymer Products

- Focus on high performance market
  - horizontal well completions and offshore
- Investing in increased production capacity – greater size range
- New materials technology qualified and accepted by major US operators and completions companies
- Key market - North America
- Opportunities to expand in SE Asia, Middle East and Europe
- New product lines will broaden product offering and revenue base





# SUMMARY

- EBITDAF \$20.0m (↑108%), EBITDA \$18.6m (↑148%)
- NPAT \$3.0m
- Balance Sheet – metrics stable with ongoing debt reduction
- Business reorganised for efficiency
- 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

# CLOSE

- Questions?

# CONTACT DETAILS

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