

# APPENDIX 4E

**Results for announcement to the Market**

**Matrix Composites & Engineering Ltd**

Preliminary Final Report for the Year Ended 30 June 2015

19 August 2015

# Matrix grows earnings in challenging market conditions

## Highlights

- Revenue of \$144.1 million (FY14: \$158.6 million)
- EBITDA of \$19.5 million (FY14: \$18.6 million)
- NPAT of \$3.6 million (FY14: \$3.0 million)
- Normalised EBITDA of \$22.7 million, after adjusting for \$3.2 million in non-recurring costs, with underlying EBITDA margin of 15.8 per cent (FY14: 11.7 per cent)
- Low gearing of 5.7 per cent at 30 June 2015, providing strong financial position to pursue growth opportunities
- Resumption of final dividend, with fully franked final dividend of 1.0 cent per share declared (FY14: nil)

Matrix Composites & Engineering Ltd (MCE) today announced a net profit after tax of \$3.6 million for the year ended 30 June 2015, a 20.4 per cent increase over FY14.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$19.5 million, a 5.2 per cent increase over FY14.

MCE generated revenue of \$144.1 million, a decrease of 9.1 per cent over FY14, due to challenging market conditions, with reduced demand for the Company's products as a result of a fall in global energy prices.

MCE Chief Executive Officer Aaron Begley said the Company delivered stronger earnings off a reduced revenue base principally through significant improvements the business had made to its cost base.

"The efficiency improvements we have achieved at our Henderson facility enabled us to deliver improved margins in the financial year," Mr Begley said.

"Despite market uncertainty arising from the continued low global oil price, Matrix has been able to maintain its backlog through providing innovative technical solutions to the needs of the oil and gas sector.

“Importantly, we have continued to pay down debt, maintaining a low net debt position that provides Matrix with the flexibility to pursue growth opportunities and support the resumption of a final dividend.”

### Financial Results FY15

As noted above, Matrix recorded EBITDA of \$19.5 million on revenue of \$144.1 million in FY15 compared to EBITDA of \$18.6 million on revenue of \$158.6 million in FY14.

The reduced revenue was primarily attributable to:

- i) the decline in demand for machining and fabrication services for the Company’s Malaga workshop;
- ii) a decline in revenue from the Company’s well construction products due to the reduction in operating land rigs in North America (i.e. shale gas); and
- iii) a reduction in output of buoyancy products in 2H FY15 in response to an anticipated slowing in demand in response to the current lower global oil prices.

MCE incurred non-recurring costs of approximately \$3.2 million in FY15. These costs were incurred primarily in redundancies and net realisable value adjustments to inventory and plant and equipment at the Company’s Malaga workshops, in response to reduced demand following a fall in global energy and resource commodity prices.

Removing the impact of non-recurring costs, Matrix delivered a normalised EBITDA of \$22.7 million, in line with guidance provided to the market on 19 May 2015. This represented an EBITDA margin of 15.8 per cent (FY14: 11.7 per cent), with the improvement attributable to:

- i) continued improvements to the labour efficiency of the Henderson manufacturing facility and ongoing materials cost benefits; and
- ii) a more favourable AUD:USD exchange rate across the period.

Full year NPAT of \$3.6 million was adversely impacted by higher than anticipated depreciation charges and an abnormally high income tax expense charge attributed to higher offshore, non-deductible expenses.

MCE recorded a gross cash balance of \$14.5 million at year end and maintained a low net debt position (financial debt and customer deposits less cash) of \$7.8 million as at 30 June 2015 (30 June 2014: \$6.4 million).

Operating cash flow during the period of \$6.8 million was negatively impacted by temporary increased holdings of raw material and weaker market conditions resulting in slower collection of receivables. MCE continues to reduce gross debt while maintaining a strong cash position and low gearing ensures that the Company is well placed to pursue growth opportunities.

## Operational Performance

MCE delivered a consistent production year with improved safety and financial performance.

Mr Begley said: “Through a continued focus on our people as well as cost management, we have delivered increased margins across all of Matrix’s key products. Matrix also developed new markets for its well construction products, such as South East Asia, which has helped offset volume declines in the North American market.

“Despite market uncertainty arising from the recent fall in the global oil price, Matrix has the ability to flex production output up or down in response to market conditions.”

During the period MCE delivered a number of projects based on its “IsoBlox” modular buoyancy system, including 2 x 502MT Sub Sea Mid Water Arches that will be incorporated into the Inpex Ichthys project. MCE has also established a riser inspection, maintenance and repair (IMR) base in Karratha, Western Australia to manage third party IMR requirements.

MCE recorded zero LTIFR in FY15 (FY14: 4.1) and has been LTI free since May 2014.

## Final Dividend determined

The Board has determined a final dividend of 1.0 cent per share for the year ended 30 June 2015. Together with the interim dividend paid on 31 March 2015, this bring total dividends for the year to 3.0 cents per share, which is in line with the Board’s previously announced Dividend Policy of maintaining an ordinary fully franked dividend payout not exceeding net profit after tax.

## On-Market Share Buyback

MCE advises that, to date, it has acquired 522,420 shares at an average price of \$0.56 under the current on-market buyback authority. MCE notes that the buyback authority expires on 5 March 2016.

## Management Changes

MCE advises that Michael Kirkpatrick, Legal Counsel and Joint Company Secretary, has accepted a full time position at another company and will cease to hold the office of Company Secretary from 20 August 2015. The Board thanks Mr Kirkpatrick for his contribution to the Company and wishes him well with his future endeavours. MCE Chief Financial Officer Peter Tazewell will continue in the role of Company Secretary until a replacement for Mr Kirkpatrick is appointed.

## Outlook

MCE's backlog at 30 June 2015 was US\$93.1 million which, together with anticipated work to be completed in the next year, underwrites production at current rates for the balance of FY16. Notwithstanding the recent downward movements in the global oil price, MCE considers there is sufficient demand for its products from committed projects to support production over the next two years.

MCE continues to expect revenue of \$110 million to \$130 million in FY16, in line with guidance provided to the market on 19 May 2015.

Mr Begley said: "Despite the continued low oil price, MCE's outlook remains positive over the medium to long term.

"It is likely there will be some short term reductions in output due to market conditions although this will be within the Company's ability to manage.

"The reduction in capital expenditure budgets across the industry has been significant and this is expected to continue impacting the new build drillship market, however MCE is experiencing growth in enquiries from the replacement market.

"We believe this sector will continue to grow as drilling contractors shift their capital expenditure budgets towards improving existing vessels rather than committing to new build drillships.

"With a strong balance sheet, Matrix can manage any short-term disruptions to demand and is positioned to capitalise on future growth opportunities, whether arising from traditional market sectors serviced by MCE or from product diversification and step-out strategies identified to drive business growth and development."

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For further information please contact Peter Tazewell, Chief Financial Officer on +61 8 9412 1200 or email [peter.tazewell@matrixengineered.com](mailto:peter.tazewell@matrixengineered.com)

## About Matrix Composites & Engineering (MCE)

Matrix Composites & Engineering ('Matrix') manufactures and supplies engineered products and services to the global energy sector. Matrix has an established reputation for developing and utilising advanced composite and polymer materials technologies and innovative manufacturing processes. This means its products are stronger, lighter and longer lasting, and can be manufactured and delivered within shorter timeframes.

Results for announcement to the market

Appendix 4E

Preliminary Final Report  
Period Ended 30 June 2015

Name of entity

Matrix Composites & Engineering Ltd

ABN or equivalent company reference

009 435 250

Period ended ('Current Period')

30 June 2015  
Previous corresponding period: 30 June 2014

*Extracts from this report for announcement to the market*

				\$000s
Revenues from ordinary activities	Down	9.1%	to	144,075
Profit/(loss) from ordinary activities after tax attributable to members	up	20.4%	to	3,634
Net profit/(loss) after tax for period attributable to members	up	20.4%	to	3,634
<b>Dividends (distributions)</b>	<b>Amount per security</b>		<b>Franked amount per security</b>	
Final dividend	\$0.01		\$0.01	
Interim Dividend	\$0.02		\$0.02	
Record date for determining entitlements to the dividend	16 September 2015			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
<i>Not applicable</i>				

**Commentary on Results**

For commentary on the results of Matrix Composites & Engineering Ltd refer to the announcement relating to the release of the Matrix Composites & Engineering Ltd results in conjunction with the details and explanations provided herewith and in the accompanying financial statements.

**Ratios and Other measures**

**NTA backing**

Net tangible asset backing per ordinary security

Current Period	Previous corresponding Period
\$1.33	\$1.28

**Dividends**

Date the dividend is payable

30 September 2015
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Record date to determine entitlements to the dividend

16 September 2015
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**Amount per security**

Final Dividend:

Current year  
Previous year

Interim Dividend:

Current year  
Previous year

Amount per security	Franked amount per security
\$0.01	\$0.01
nil	nil
\$0.02	\$0.02
nil	nil

**Total Dividends**

Total Dividend:

Current year  
Previous year

Amount per security	Total amount (\$000s)
\$0.03	\$1,891.1
nil	nil

**Control gained over entities having material effect**

During the year ended 30 June 2015 there was no control gained over entities having material effect on the financial results or financial position of the Consolidated Entity.

**Loss of control of entities having material effect**

During the year ended 30 June 2015 there was no loss of control over entities having material effect on the financial results or financial position of the Consolidated Entity.

This report is based on accounts that have been audited.

Peter Tazewell  
Chief Financial Officer

19 August 2015  
Perth, Western Australia