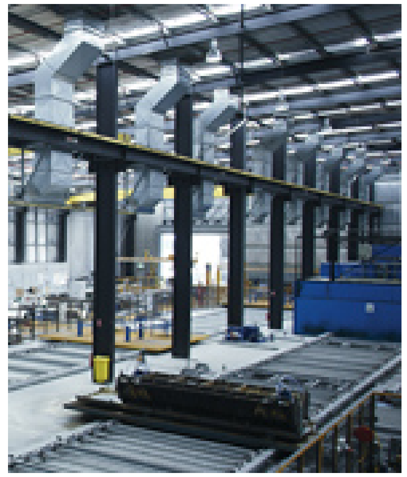
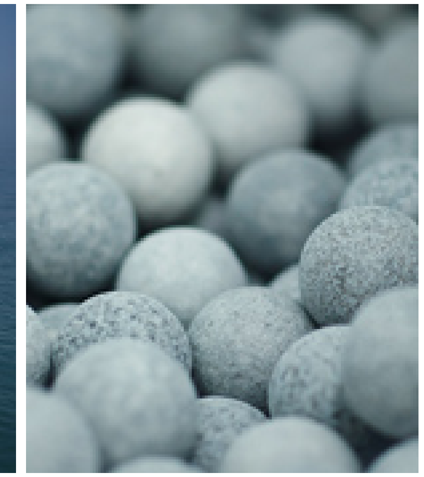






2015 Full Year Results Presentation

MATRIX COMPOSITES AND ENGINEERING

19 August 2015

Matrix
Composites & Engineering

Agenda

- Overview
- Financial results
- Operational review
- Strategy & outlook

Overview

Financial

- Revenue: $144.1 million
- EBITDA: $19.5 million
- Normalised EBITDA: $22.7 million
- NPAT: $3.6 million
- Cash from operations: $6.8 million
- Net debt position: $7.8 million
- Final dividend of 1.0 cps, fully franked; 3.0 cps, fully franked for FY15

Operating

- Return to zero LTIFR
- Fall in oil price has resulted in delay in projects
- Continued to win work in a highly competitive market
- Penetration of drilling riser buoyancy market as supplier of choice
- Development of new markets in Asia and Middle East to offset reductions in US demand for well construction products

Outlook

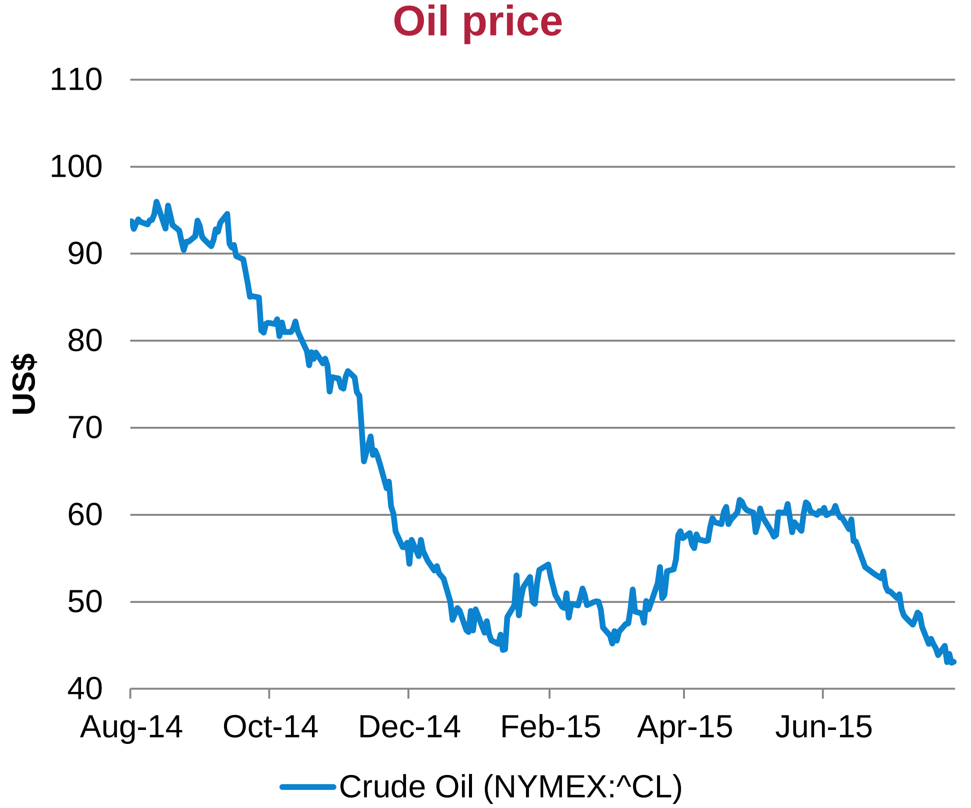
- Order book $93.1 million at 30 June 2015
- Responding to oil price weakness through reduced scheduled production output, managing costs, and improving efficiencies
- Matrix positioned to return to greater production volumes in the medium term
- Forecast revenue of $110 - $130 million in FY16

Overview

Lower global oil prices

WEAKER MACRO INDICATORS AND RESPONSE

- Observing delayed order conversions and rig deliveries and accelerated fleet retirements
- Rig newbuild cancellations limited to Brazil, as a result of project finance issues
- Select markets have held up including GOM Deepwater
- SURF Market has been impacted, however some major projects have passed FID, long term activity
- Reduced onshore drilling activity in North America hardest hit



Source: Capital IQ

MATRIX'S INITIATIVES

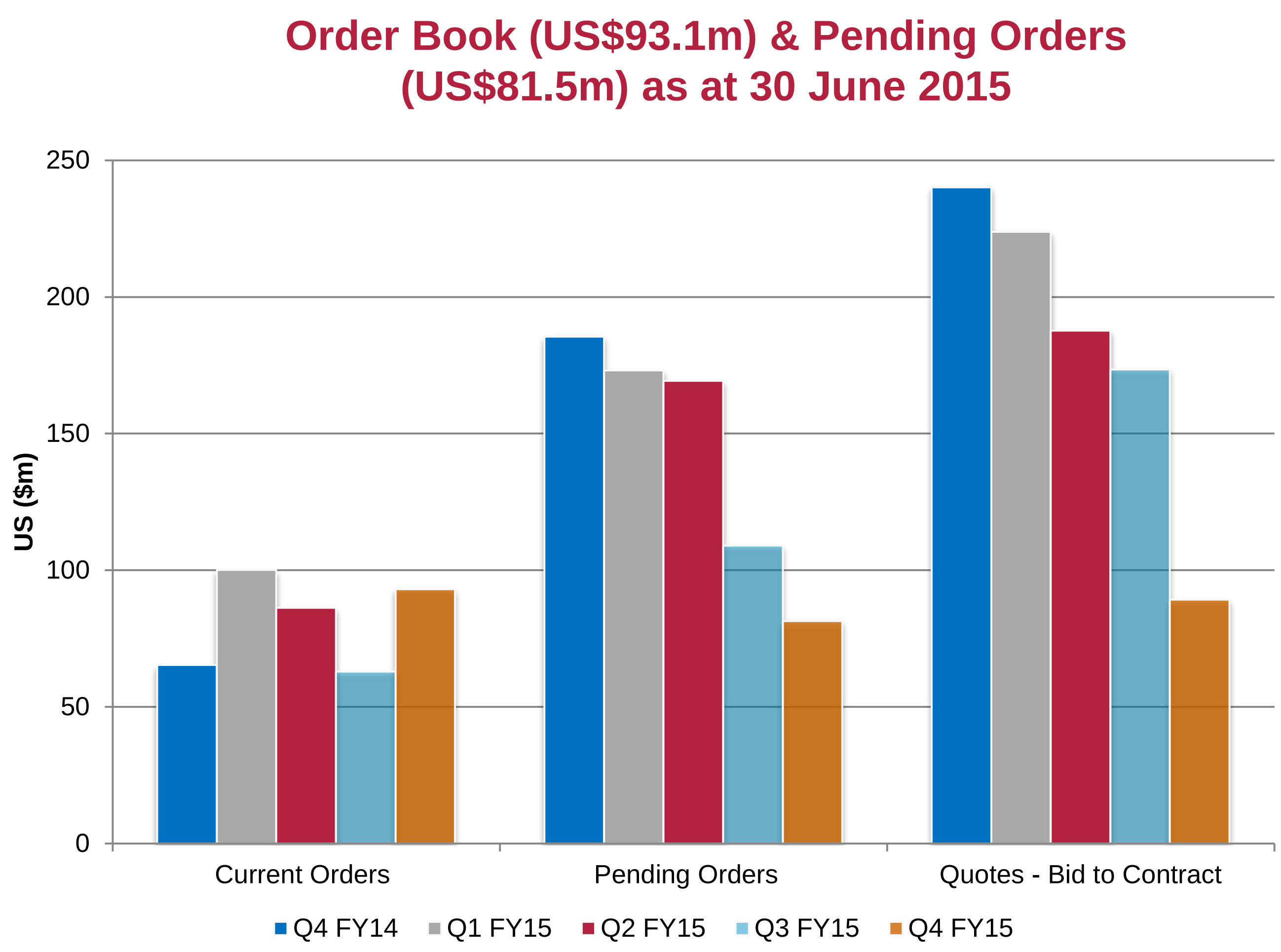
- Reduced production output to match demand
- Managing costs and improving efficiencies, delivering stronger earnings despite lower revenue
- Continued investment in stronger markets (e.g. Asia) and service and product development and diversification beyond oil and gas sector

Matrix Composites & Engineering

Overview

Order book and pipeline

- US$107.7 million orders awarded in FY15
- Order backlog of US$93.1 million and pending orders supports production throughout FY16
- Continuing to win work from new customers, in the newbuild and aftermarket for drilling riser buoyancy products
- Potential for delays in floater deliveries due to reduced fleet utilisation
- Quotation activity has declined although there remains a significant volume of work still to be awarded



Financial Results

Peter Tazewell – Chief Financial Officer

Financial results

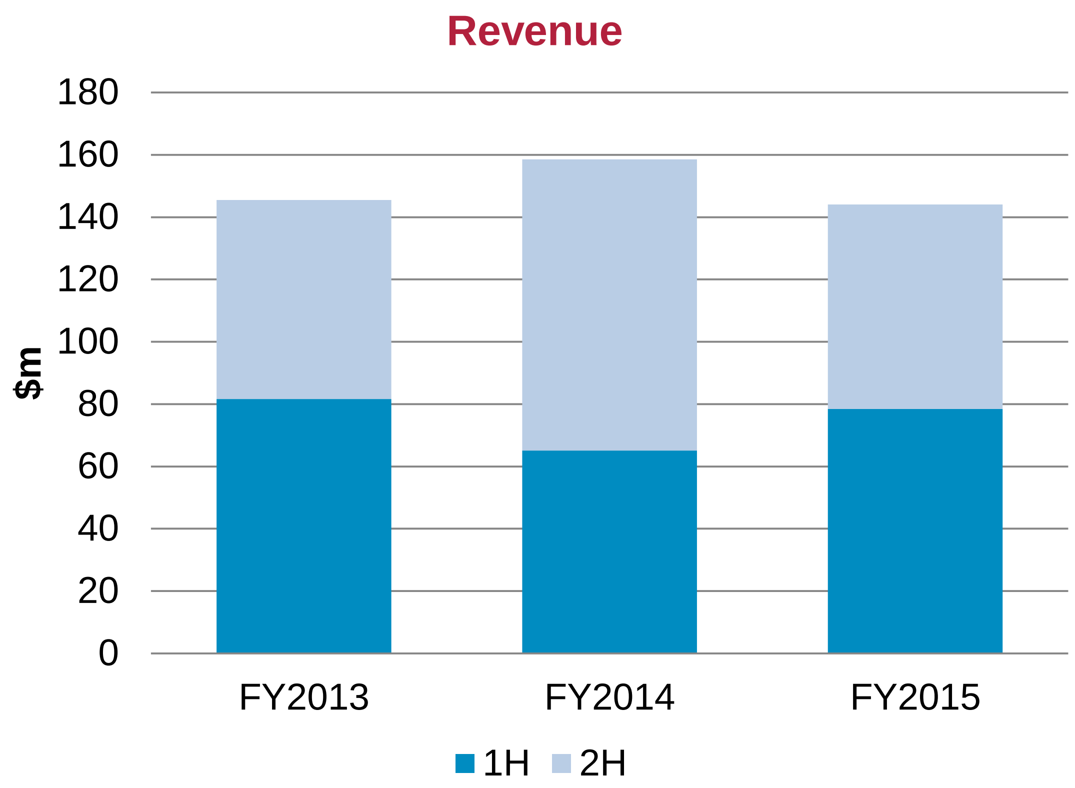
Key financial metrics

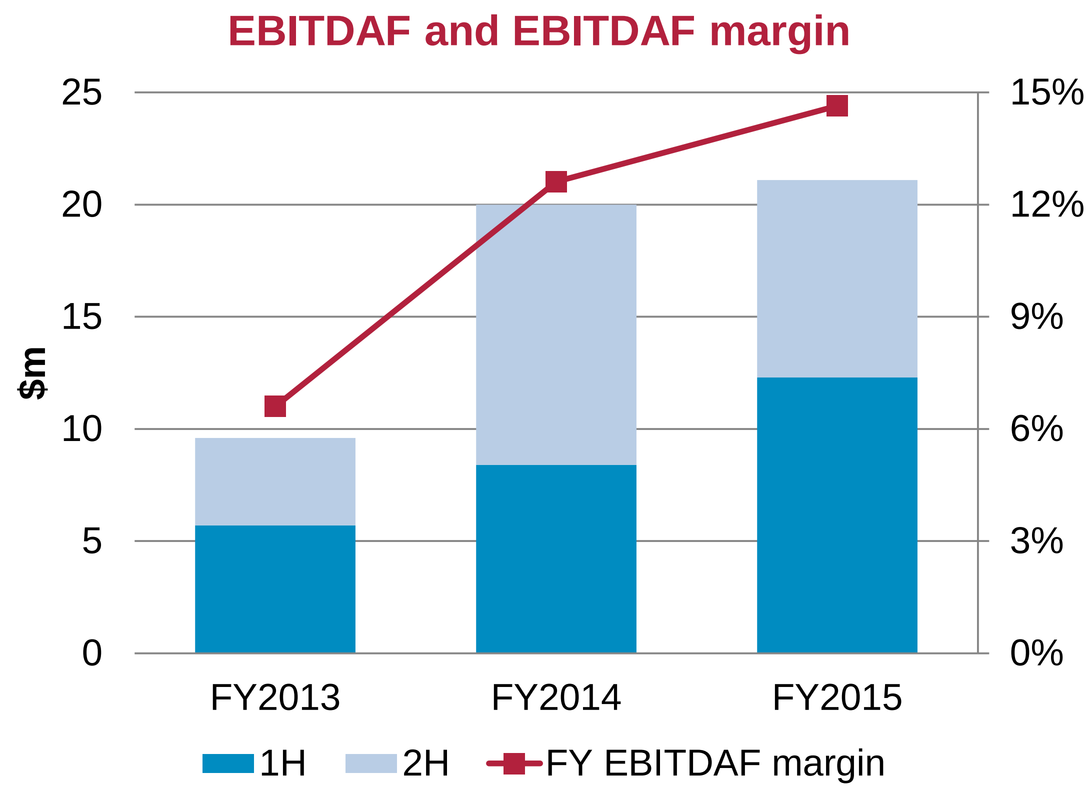
		FY15	FY14	Variance
Revenue	$m	144.1	158.6	9.1% ↓
EBITDAF	$m	21.1	20.0	5.2% ↑
EBITDA	$m	19.5	18.6	5.1% ↑
Net profit after tax	$m	3.6	3.0	20.4% ↑
Earnings per share	¢	3.8	3.2	18.7% ↑
Dividends per share	¢	3.0	nil	n/a
Gross Debt	$m	(8.0)	(12.9)	38.2% ↓
Adjusted Net Cash/(Debt)	$m	(7.8)	(6.4)	21.9% ↑
Interest Cover	times	26.9	9.6	181% ↑
Operating Cash Flow	$m	6.8	16.5	58.7% ↓
Employees		255	394	35.3%↓
Backlog	US$m	93.1	65.0	43.2% ↑

Matrix Composites & Engineering

Financial results

Earnings





EARNINGS ANALYSIS

- Reduced revenue in 2H attributed to reduced production
- 2H Earnings adversely impacted by $3.2 million non-recurring costs, primarily related to restructuring operations

MARGIN IMPROVEMENT

- Continued margin improvement attributed to:
  - Ceasing low margin operations
  - Raw material and labour efficiencies
  - More favorable AUD:USD exchange rate
- Normalised underlying margin of 15.8 per cent

Financial results

Underlying EBITDA

$m	FY15	FY14
Reported EBITDA	19.5	18.5
Fines and penalties	-	0.2
Redundancy costs	1.2	-
NRV adjustment – plant & equipment	0.9	-
Inventory written off	1.0	0.2
Capitalised R&D written off	0.1	-
Underlying EBITDA	22.7	18.9

- Significant non-recurring costs incurred during FY15 to reorganize and rationalize the business
- Reduced cost base has ensured Matrix remains competitive in challenging market conditions
- Underlying EBITDA margin of 15.8 per cent

Matrix
Composites & Engineering

Financial results

Balance sheet

$m	FY15	FY14
Cash	14.5	19.5
Trade receivables	34.5	33.5
Inventory	20.7	18.8
Property, plant & equipment	91.3	99.9
Intangible assets/deferred tax	12.9	16.2
Other assets	1.4	0.9
Total Assets	**175.3**	**188.8**
Trade payables	11.6	20.0
Progress billing	14.3	16.7
Financial liabilities	10.2	13.4
Provisions	1.5	1.9
Total Equity	**137.8**	**136.8**
Adjusted net cash/(debt)	(7.8)	(6.4)
Net working capital	29.3	11.9
Gearing (ND/E)	5.7%	4.7%

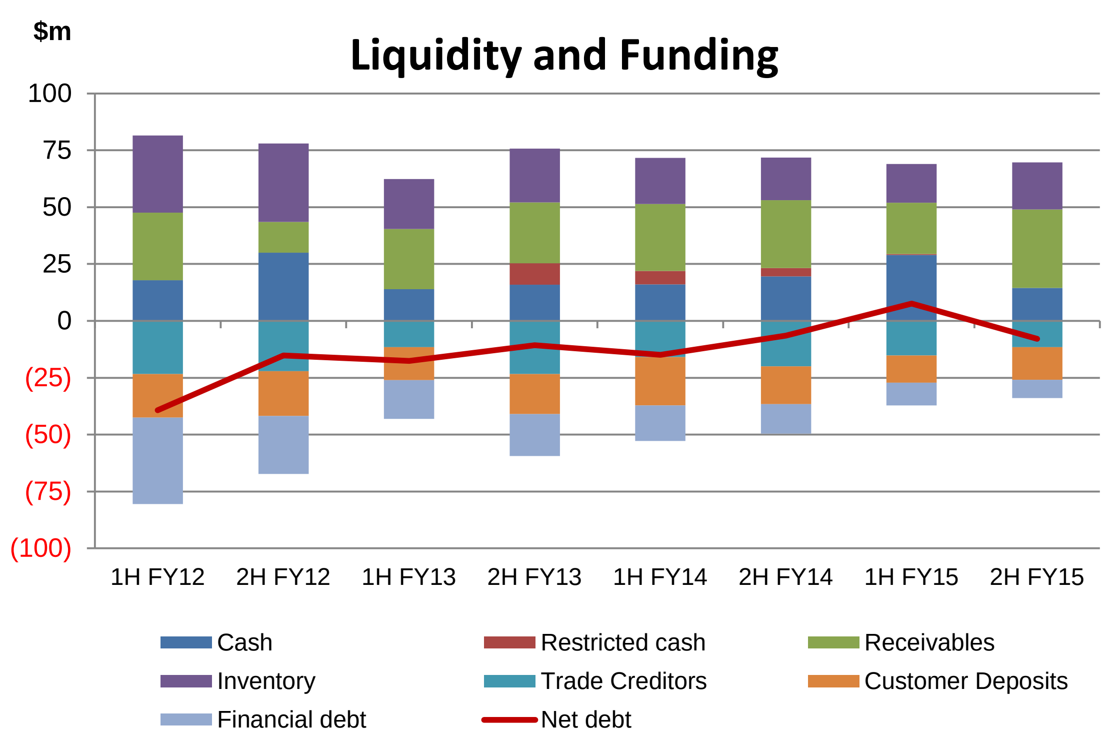
- Reduced cash attributed to increased investment in working capital ($17.4m)
- Increased inventory attributable to reduced production in 2H
- Reduced DTA as tax losses utilised
- Reduced trade payables due to slower turnover of raw materials
- Financial debt refinanced and continued amortisation reducing gross debt
- Strong balance sheet liquidity and low gearing

Matrix Composites & Engineering

Financial results

Debt and banking

$m	FY15	FY14
Cash	14.5	19.5
Restricted cash	-	3.7
Progress billing	(14.3)	(16.7)
Gross Financial debt	(8.0)	(12.9)
Adjusted Net Cash/(Debt)	(7.8)	(6.4)



CASH AND DEBT POSITION

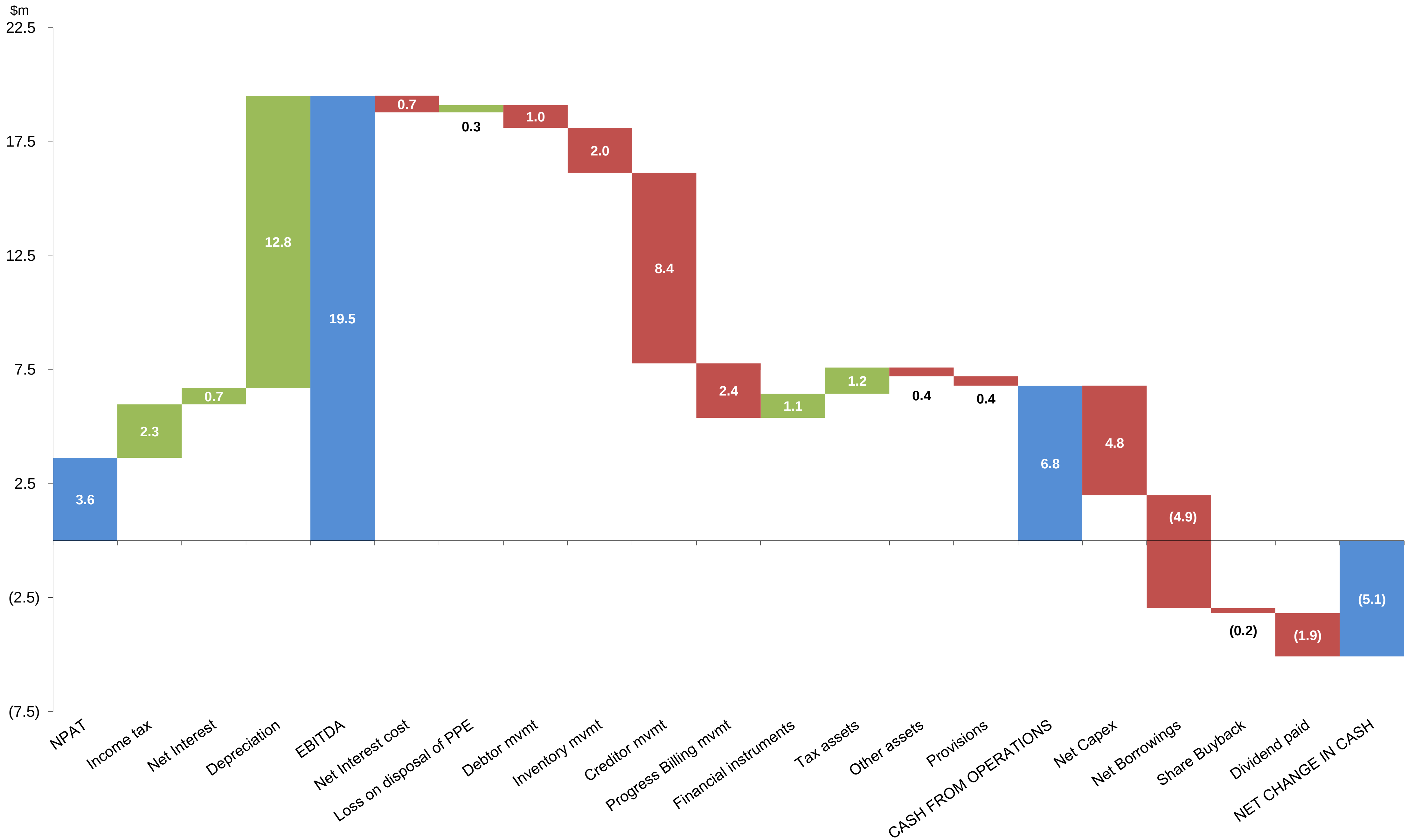
- Gross debt reduced to $8.0 million
- Net debt at 30 June 2015 of $7.8 million
- Flexible 3 year debt facility negotiated in November 2014, with simplified covenant structure
- Undrawn available facilities of $32.5 million – significant available liquidity allowing greater flexibility with customer contractual terms

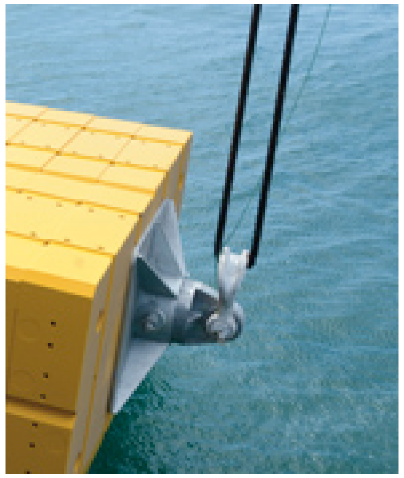
CAPITAL MANAGEMENT

- Dividends supported by improved and stable financial position
- On-market share buyback of up to 9.4 million shares, under the 10/12 rule – completed buyback of 522,420 shares to date

Financial results

Cash flow from operations






Operational review

Aaron Begley – Chief Executive Officer

Operational review

Offshore – capital drilling equipment

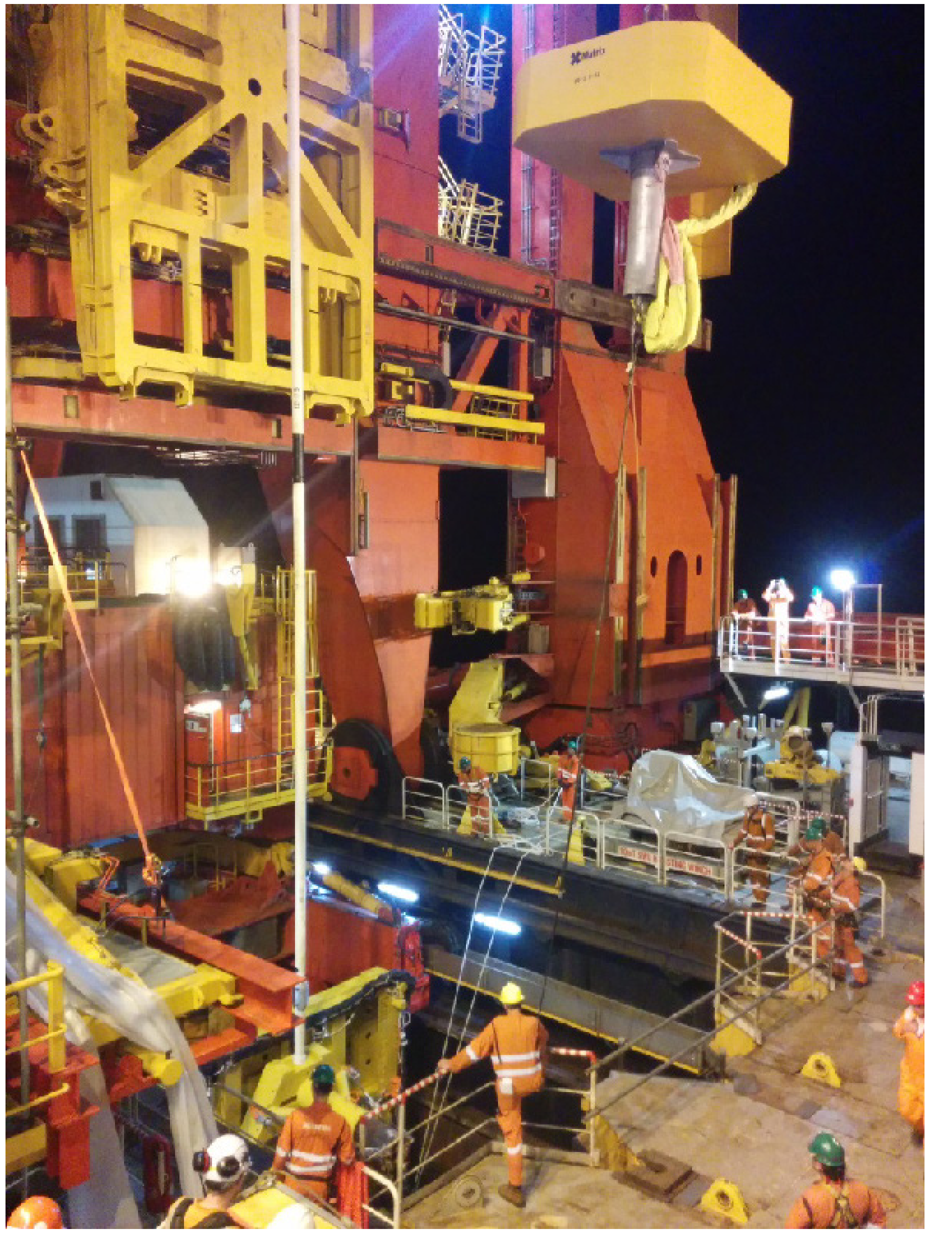
- US$107 million contracts awarded FY15
- At a macro level, there have been reduction in new build pipeline (cancellations) and global floater fleet (retirements), reducing excess supply of floaters.
- Matrix continues to increase market share of this declining market as a supplier of choice
- Product build quality and higher specifications has seen Matrix achieve in excess of 50 per cent market share in new build market
- Matrix has also achieved increased volume in replacement and extension market.
- Increase in service offering including engineering services, analysis and testing and riser IMR services

Matrix
Composites & Engineering

Operational review

SURF and subsea solutions

- Continued revenue growth in SURF product line
- Pipeline of work is strong
- Penetration into the market largely dependent on obtaining technical qualification with key vendors
- Substantial progress continued during the year, including delivery of the world's largest permanent mid depth buoyancy structures (2 x 502MT) for the INPEX Ichthys project constructed with Matrix's ISOBLOX™ system – largest SURF contract to date
- Advanced the international qualification process with operators, EPIC contractors and OEMs
- API 17L and client approval process is advanced
- Increased investment in materials qualification
- Ongoing development of large floating structures, Mid Water Arches and Permanent Mooring Buoyancy.



Operational review

Well construction products

- Impacted by significant reduction in the North American operating rigs
- Reduction particularly driven by a sharp decline in the shale gas market
- Been offset by new markets in South East Asia and Middle East
- Increase in demand for full technical service offering including torque and drag analysis, logistics and installation built around core technology.
- Seeing early signs of rig index starting to increase in North America

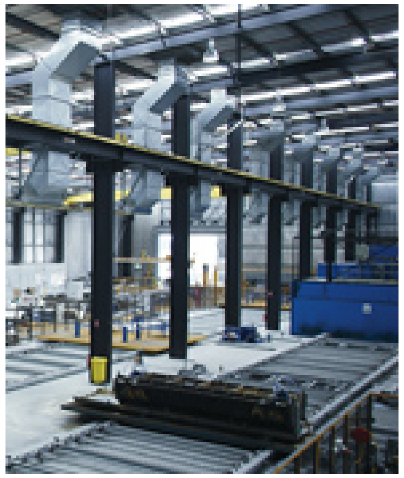
Matrix
Composites & Engineering

Operational review

Offshore services

- Restructure of services business in face of declining revenue and surplus capacity in local market
- Reduced focus on legacy fabrication and machining and increased focus on maintenance and engineering services
- Established a riser service center in Karratha, WA to support offshore vessels in Australian waters
- Secured a number of contracts with international drilling contractors
- Part of integrated lifecycle service offering

Matrix
Composites & Engineering



Strategy and outlook

Aaron Begley – Chief Executive Officer

Strategy

Core products and services

- Well Construction Products
- Offshore Services
- SURF and Subsea
- Capital Drilling Equipment

• Composite materials •
• Syntactic foams •
• Engineering plastics •
• Thermoset technologies •

Growth initiatives

Volume growth

- Pursue product diversification to provide greater stability in revenue streams
- Application of new products to new industries
- Technical innovation to drive volume

Operational improvement

- Cost down initiatives
- Ongoing plant optimisation
- Development of new supply sources

Technical leadership

- Ongoing materials R&D
- Development of superior technical solutions to customer problems

Step out strategies

- Consider M&A and growth opportunities that leverage core skills in engineering and advanced materials production

Outlook

Global conditions – capital drilling equipment

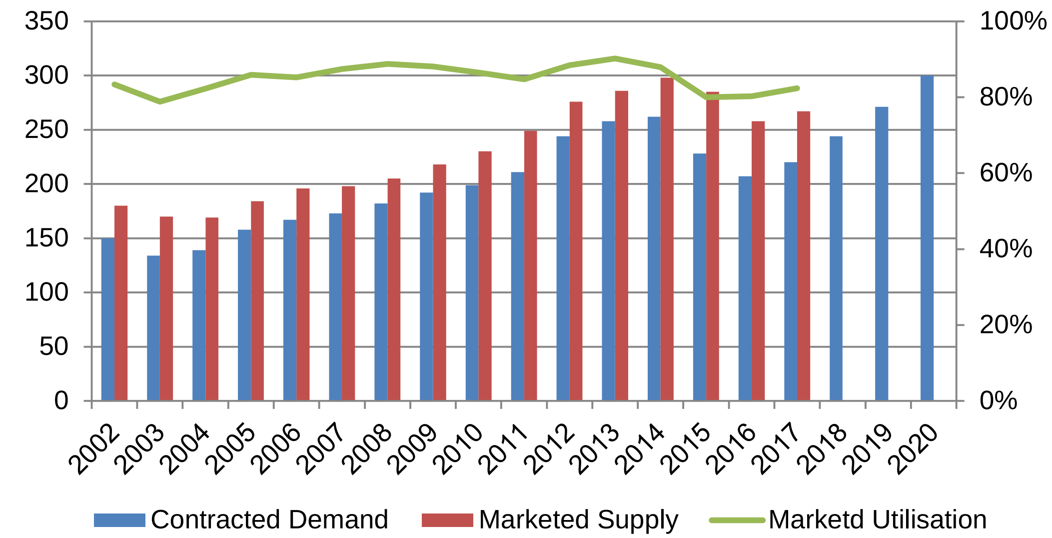
NEWBUILD MARKET

- Demand from current drillships under construction will underwrite near term production
- Production at lower levels through FY16 and into FY17 for new build drillships
- Rig attrition of older rigs is accelerating and is necessary to re-balance market
- Utilisation rates will fall before normalising from 2018 onwards

REPAIRS/ REPLACEMENTS

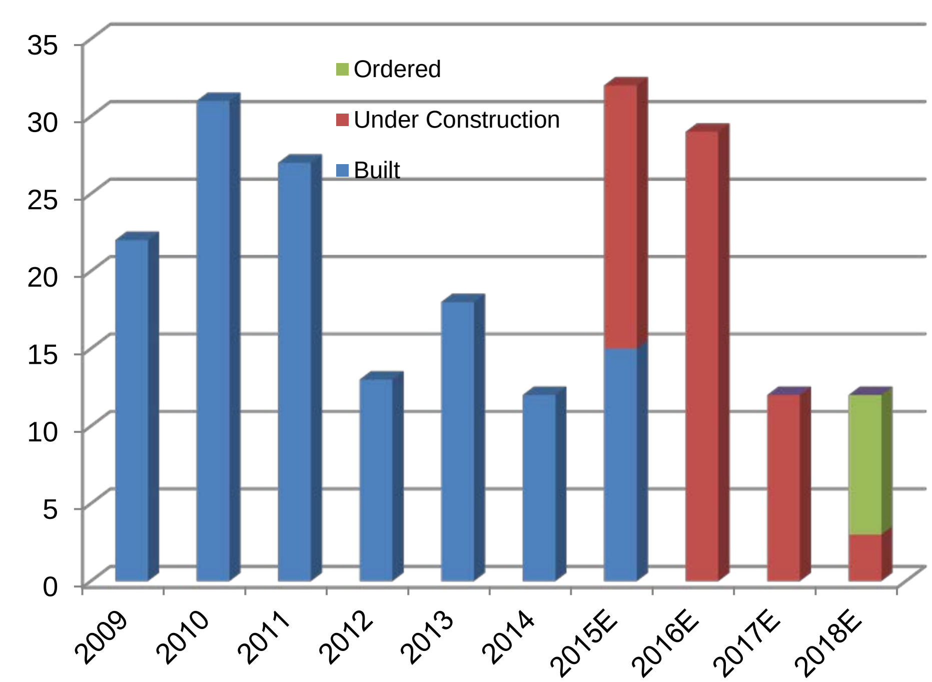
- North Sea and West African markets most severely effected.
- GOM activity underpins replacement market
- Older rigs being scrapped or cold stacked

International floater supply – demand



Source: Company Data, 2015

World number of confirmed newbuilds



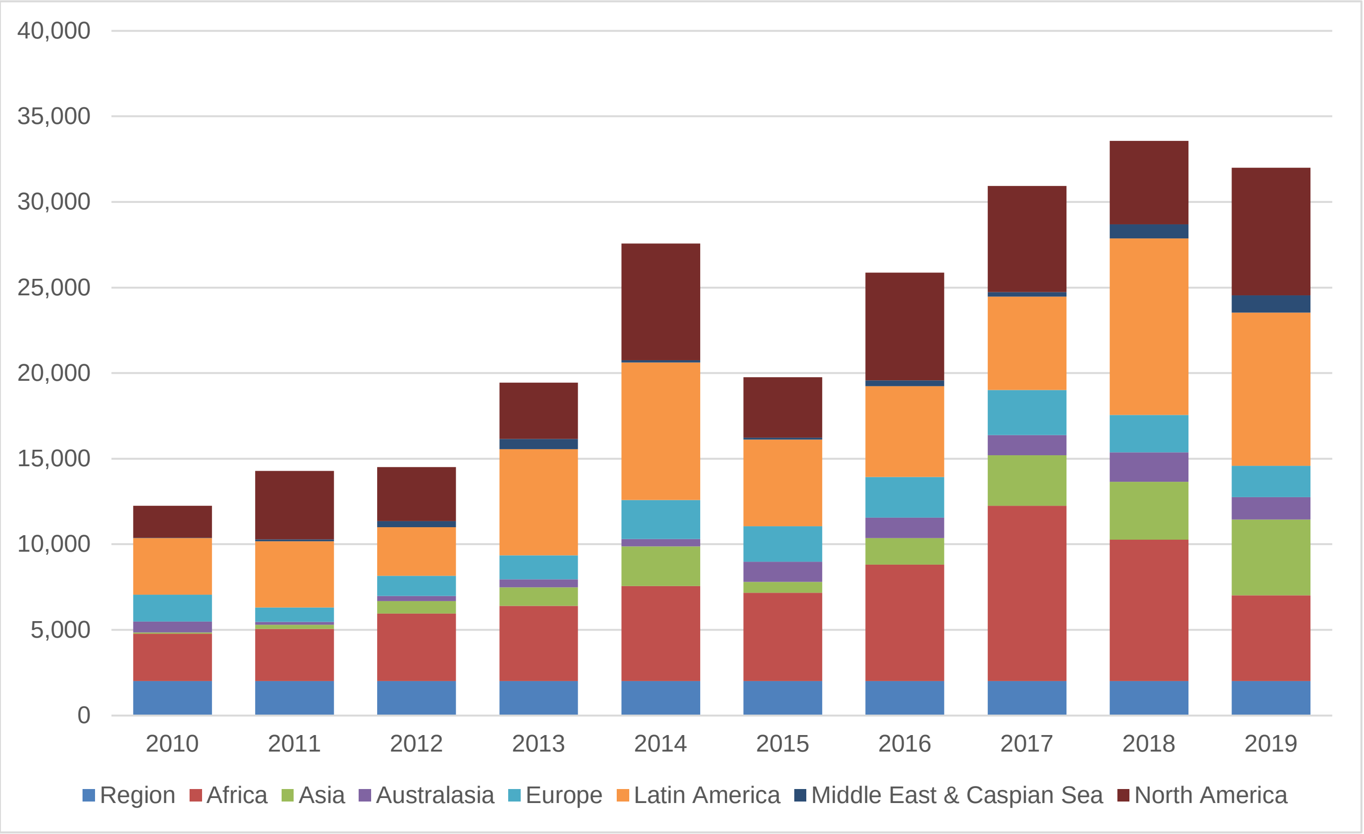
Source: Company Data, 2015

Outlook

Global conditions – SURF and subsea solutions

- Global subsea capex has contracted but forecast to increase from CY16 onwards
- Qualification process remains critical to Matrix growing revenue in this area
- Some large offshore and deepwater projects are still getting sectioned at both FID and FEED Stage eg Deepwater Shell Appomattox Deepwater development and Woodside Browse FEED
- Project re-tendering is taking place in order to reduce capex spend and keep projects economic

Global Subsea Capex (US$000s) by Region 2010-2019



Source: Infield, February 2015

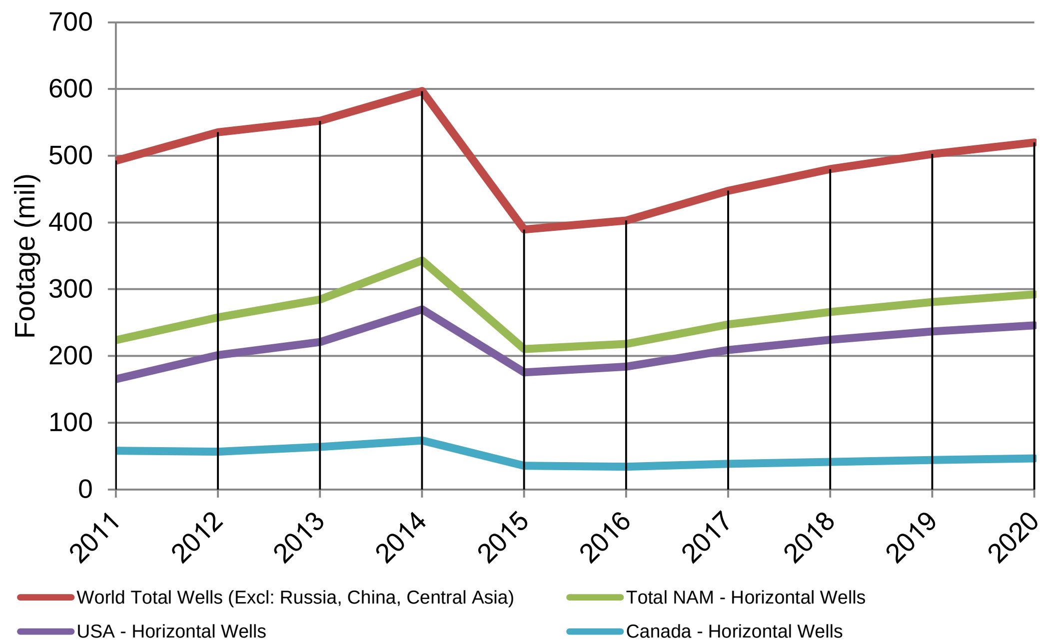
Matrix Composites & Engineering

Outlook

Global conditions – Well Construction

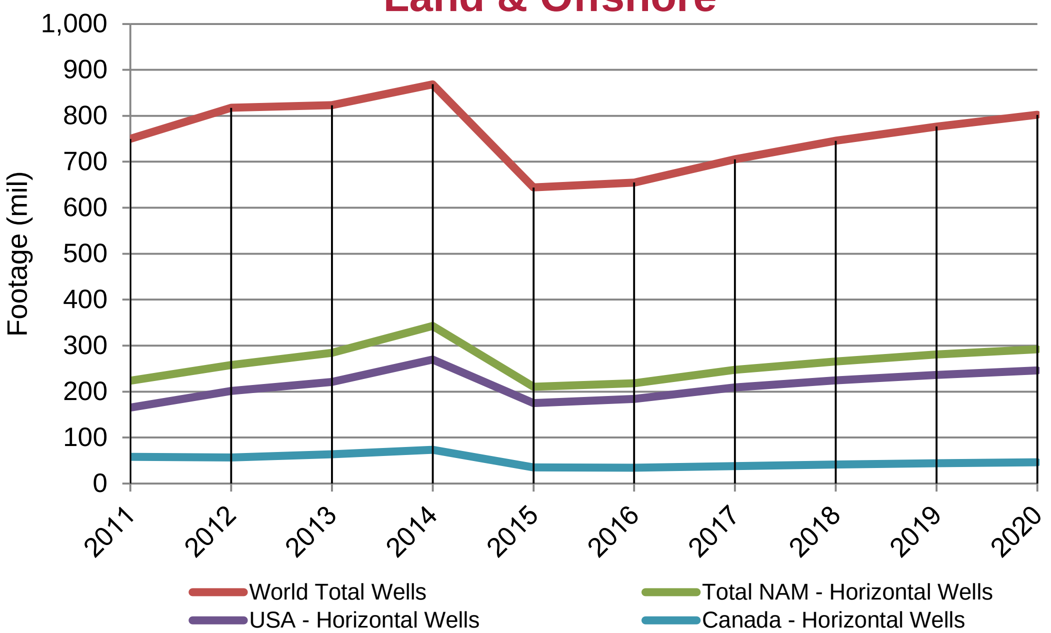
- Significant fall in NAM rig count driven by lower oil price.
- GOM Deepwater and ex-USA offshore has not been as severely effected as NAM onshore.
- New markets likely to drive growth in short term until recovery of shale gas market
- Size of target market remains attractive
- Expanding presence and service offering in SE Asia and the Middle East.

North America Drilling & Production Outlook – Total & Horizontal Wells Drilled



Source: Spears & Associates, June 2015

World Drilling & Production Outlook – Land & Offshore



Source: Spears & Associates, June 2015

Matrix
Composites & Engineering

Conclusion

SUMMARY

- Strong FY2015 result, in line with expectations
- Return to dividends supported by liquidity position, ongoing debt reduction and near term outlook

OUTLOOK

- Responding to downturn in oil price through reduced production output, managing costs, and improving efficiencies
- Stable production output to underpin revenue of $110m – $130m in FY16
- Expect continued growing interest from Asian region
- Matrix in a sound financial position with available capacity at Henderson facility:
  - Positioned to ride the cycle and capture greater market share
  - Matrix committed to pursuing strategic growth initiatives

Contact details

AARON BEGLEY

Chief Executive Officer

T: +61 8 9412 1200

E: aaron.begley@matrixengineered.com

PETER TAZEWELL

Chief Financial Officer

T: +61 8 9412 1200

E: peter.tazewell@matrixengineered.com

Disclaimer

Reliance on third party information

The information and views expressed in this presentation were prepared by Matrix Composites & Engineering Ltd (the Company) and may contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. No responsibility or liability is accepted by the Company, its officers, employees, agents or contractors for any errors, misstatements in or omissions from this presentation.

Presentation is a summary only

This presentation is information in a summary form only and does not purport to be complete. It should be read in conjunction with the Company's 2015 annual financial report. Any information or opinions expressed in this presentation are subject to change without notice and the Company is not under any obligation to update or keep current the information contained within this presentation.

Not investment advice

This presentation is not intended and should not be considered to be the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. The information provided in this presentation has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. Each party to whom this presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

No offer of securities

Nothing in this presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell Company securities in any jurisdiction.

Forward looking statements

This presentation may include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, these statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, actual results or developments may differ materially from those expressed in the statements contained in this presentation. Investors are cautioned that statements contained in the presentation are not guarantees or projections of future performance and actual results or developments may differ materially from those projected in forward-looking statements.

No liability

To the maximum extent permitted by law, neither the Company nor its related bodies corporate, directors, employees or agents, nor any other person, accepts any liability, including without limitation any liability arising from fault or negligence, for any direct, indirect or consequential loss arising from the use of this presentation or its contents or otherwise arising in connection with it.