



# 2015 ANNUAL GENERAL MEETING

Matrix Composites & Engineering Ltd

4 November 2015

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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 2015, 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

As an ordinary resolution

- That Mr Peter Hood, being a Director of the Company, retiring by rotation in accordance with clause 19.3 of the Company's constitution, and being eligible, is re-elected as a Director of the Company.

For	Open	Against	Abstain
36,393,987	28,534	153,876	638,190

## Resolution 2

As an ordinary resolution

- That the Remuneration Report, as set out in the Company's 2015 Annual Report, is adopted.

For	Open	Against	Abstain
36,340,234	22,534	198,916	22,903

- The vote on this resolution is advisory only and does not bind the Directors' or the Company
- Votes cast by shareholders that are identified as key management personnel or a closely related party are excluded.

## Resolution 3

As an ordinary resolution

- That for the purpose of ASX Listing Rule 10.14 and for all other purposes, the grant to Managing Director and Chief Executive Officer Aaron Begley of 1,545,455 Share Appreciation Rights under the Matrix Rights Plan, on the terms described in the Explanatory Statement, be approved.

For	Open	Against	Abstain
36,208,043	20,246	346,231	10,067

- Votes cast by shareholders that are identified as closely related parties to Mr Begley are excluded.



# 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 Presentation



**Mr Aaron Begley**  
Chief Executive Officer and  
Managing Director

# Achievements in the year

## Grew earnings

- Stronger margins
- Driven by labour and material efficiency improvements

## Reduced debt

- Low gearing of 5.7 per cent at 30 June 2015

## Strong safety performance

- Group LTIFR of 0

## Recommended dividends

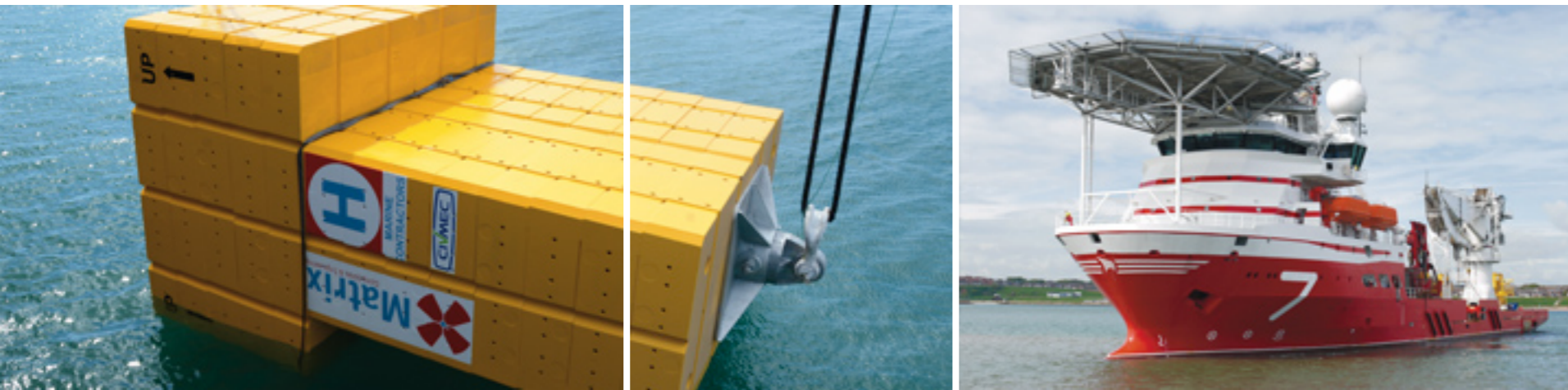
- Interim + Final dividend of 3.0 cents per share

## Increased backlog

- Maintained stable production
- Order book and pending orders supports production throughout FY16

## Positioned for growth

- New flexible banking facilities
- Clear growth initiatives to build on core products and services



# Company Overview

# Company overview

## What Matrix does

- Matrix manufactures and supplies engineered products and integrated services to the global oil and gas industry
- Leading manufacturer of subsea buoyancy systems and market leader in syntactic foam technology
- Established in 1980
- Products and integrated services provided include:
  - Capital drilling equipment
  - SURF & subsea solutions
  - Well construction products
  - Offshore services
- Products manufactured at the world's largest, most technically advanced composites syntactic plant covering 20,000m<sup>2</sup>, delivering higher quality and cost effective product, with shorter supply turnaround times
- Global service and distribution network spanning five continents, with 255 staff



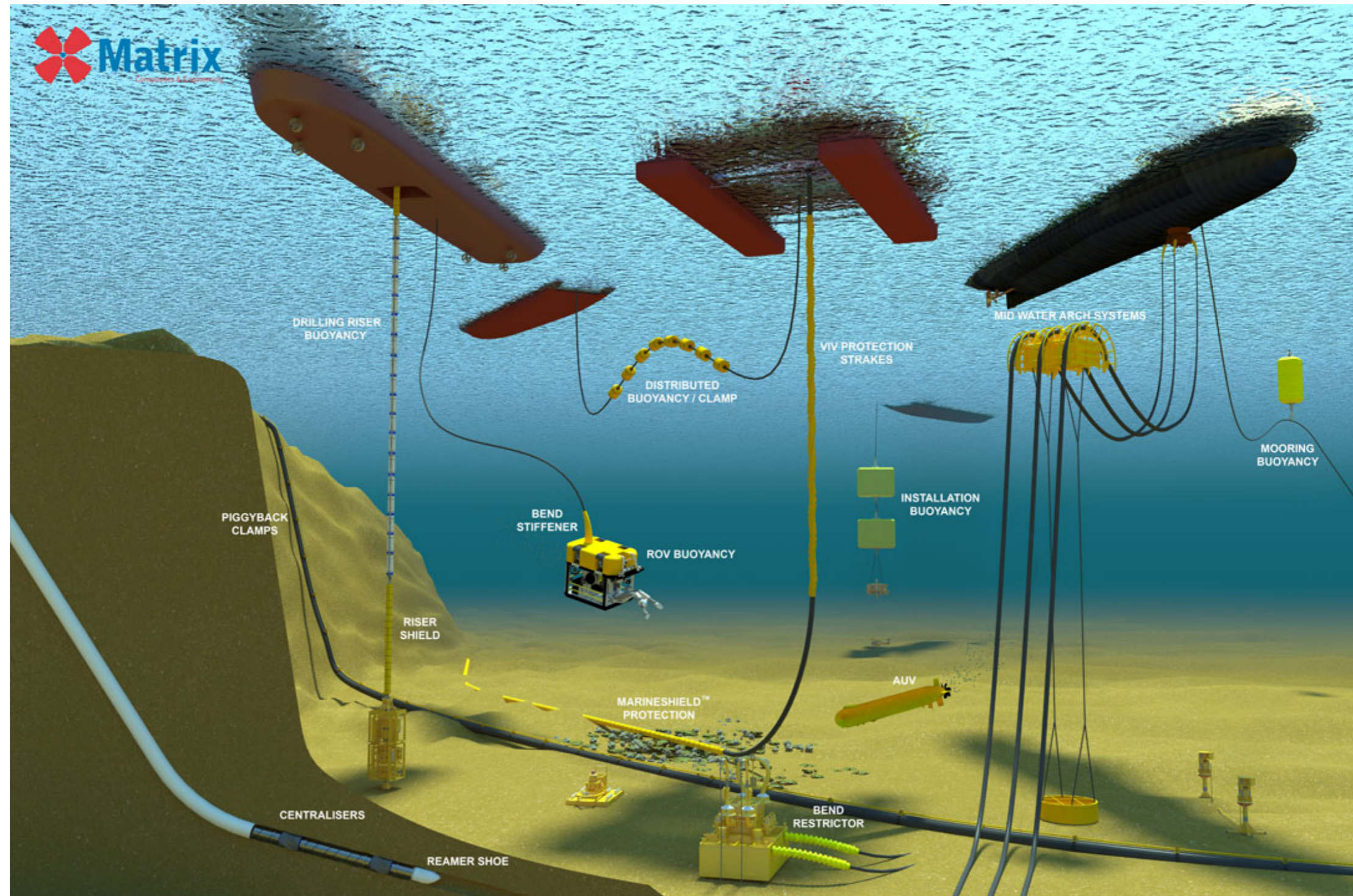
# Company overview

Manufacturing facility in Henderson, Western Australia



# Company overview

Products that Matrix manufactures



# Company overview

Servicing the global energy industry





# Company overview

## Product lines

### CAPITAL DRILLING EQUIPMENT

- US\$71.6 million backlog at 30 September 2015
- Introduction of new LGS riser buoyancy system
- Matrix has increased market share of a declining market as a supplier of choice

### SURF AND SUBSEA SOLUTIONS

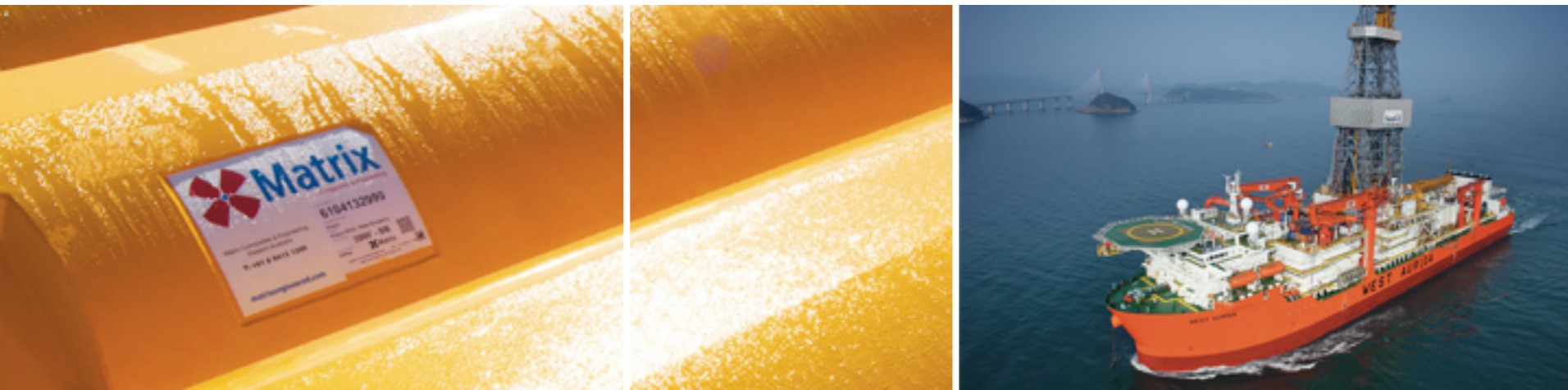
- Continued revenue growth in SURF product line and pipeline of work is strong
- Penetration into the market dependent on obtaining technical qualification with key vendors

### WELL CONSTRUCTION PRODUCTS

- Impacted by significant reduction in the North American operating rigs (principally shale gas) but being offset by new markets in South East Asia and Middle East

### OFFSHORE SERVICES

- Closed Malaga workshops in line with increased focus on maintenance and engineering
- Established a riser service center in Karratha, WA to support offshore vessels in Australian waters



# Financial Summary

# Financial summary

## Key financial metrics

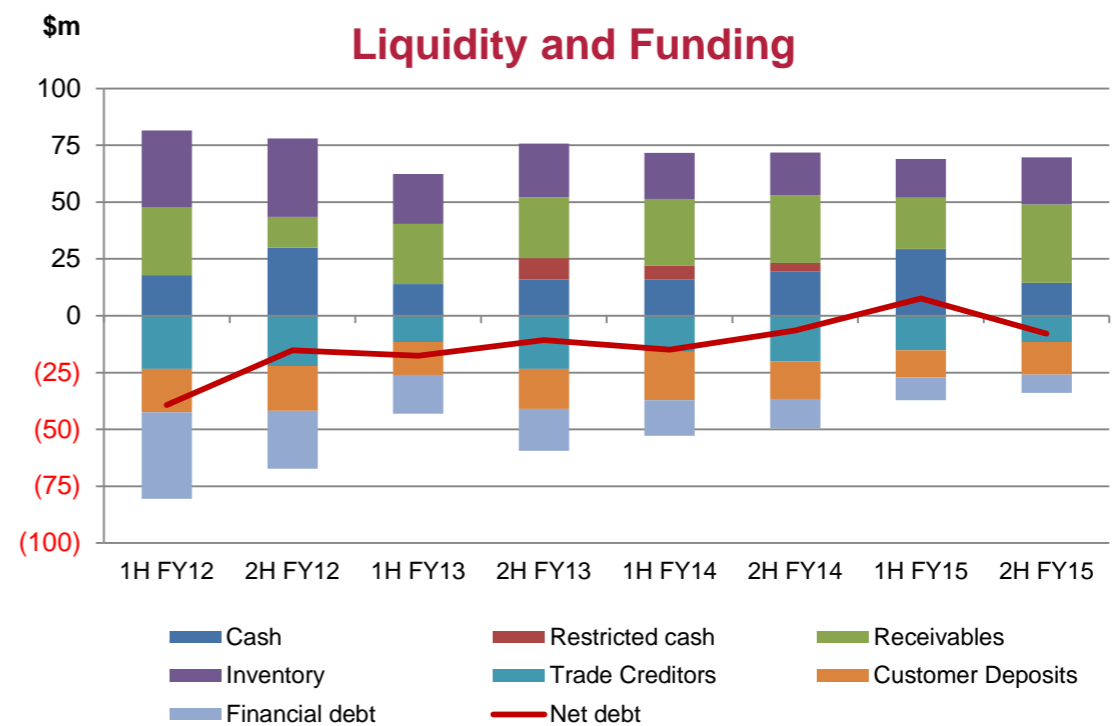
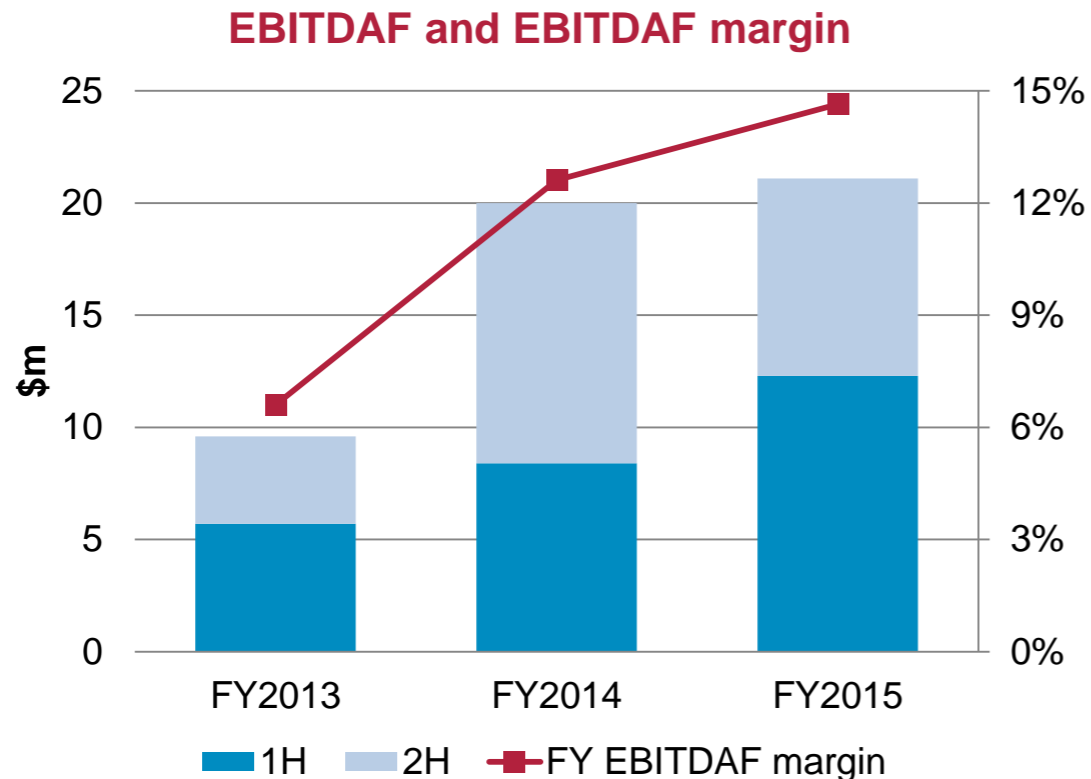
		FY15	FY14	Variance
Revenue	\$m	144.1	158.6	9.1% ↓
EBITDAF	\$m	21.1	20.0	5.2% ↑
EBITDA (statutory)	\$m	19.5	18.6	5.1% ↑
EBITDA (normalised)	\$m	22.7	18.9	20.1% ↑
Net profit after tax	\$m	3.6	3.0	20.4% ↑
Earnings per share	¢	3.8	3.2	18.7% ↑
Dividends per share	¢	3.0	nil	n/a
Gross Debt	\$m	(8.0)	(12.9)	38.2% ↓
Adjusted Net Cash/(Debt)	\$m	(7.8)*	(6.4)^	21.9% ↑
Interest Cover	times	26.9	9.6	181.0% ↑
Operating Cash Flow	\$m	6.8	16.5	58.7% ↓
Net Working Capital	\$m	29.3	11.9	146.3% ↑
Employees		255	394	35.3% ↓

\* FY15 net debt: cash (\$14.5m) less progress billing (\$14.3m) less gross financial debt (\$8.0m)

^ FY14 net debt: cash (\$19.5m) add restricted cash (\$3.7m) less progress billing (\$16.7m) less gross financial debt (\$12.9m)

# Financial summary

## FY15 earnings and financial position



### 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

### CASH AND DEBT POSITION

- Strong balance sheet liquidity and low gearing of 5.7% (Net Debt / Equity)
- Flexible, three year debt facility to Nov 2017
- Undrawn available facilities of \$32.5 million – significant available liquidity allowing flexibility with customer contractual terms



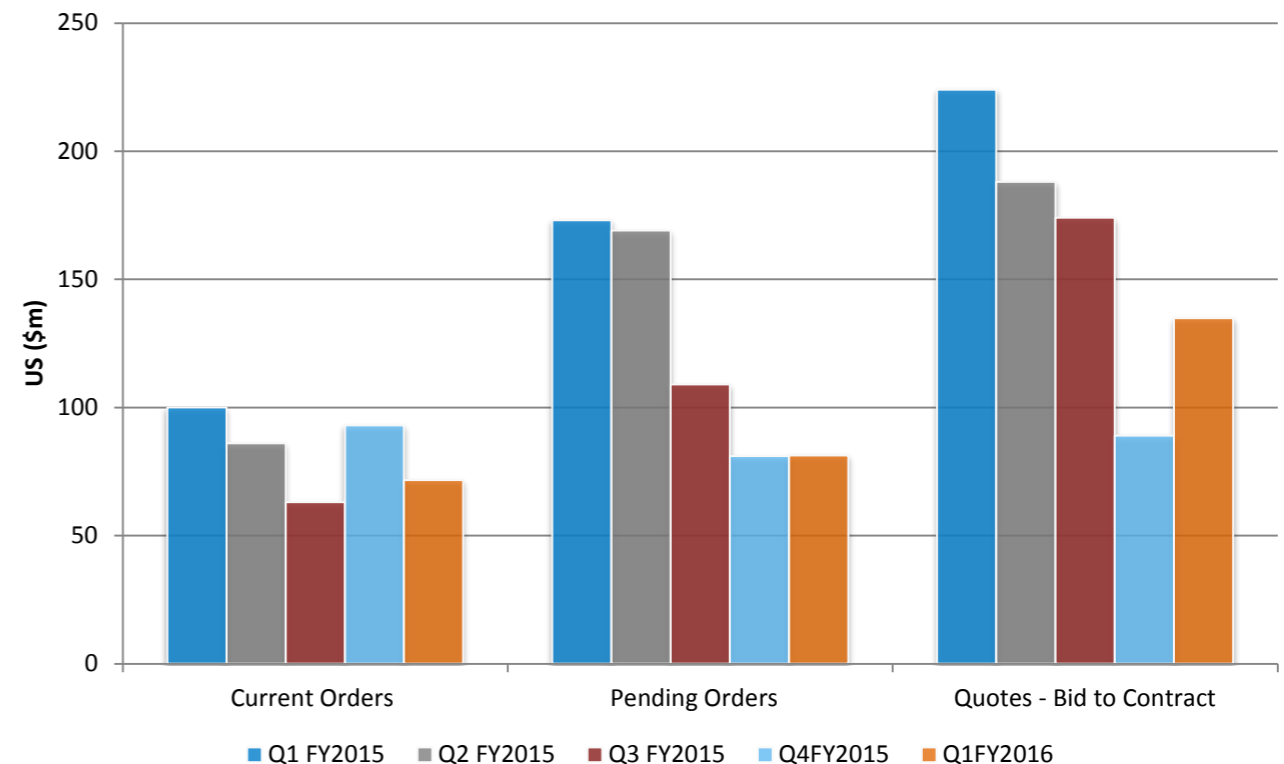
# Outlook and Strategy

# Outlook

## Order book and pipeline

- Order book of US\$71.6 million at 30 September 2015 and pending orders supports production throughout FY16
- Despite delays in the award of new work significant interest in Matrix products for newbuild and replacement market
- Potential for delays in floater deliveries due to reduced fleet utilisation
- Matrix's new LGS buoyancy is driving new quotation activity in both newbuild and replacement markets

**Order Book (US\$71.6m) & Pending Orders (US\$81.5m) as at 30 September 2015**



# Outlook

## Global conditions

### CAPITAL DRILLING EQUIPMENT

- Demand from newbuild drillships under construction will underwrite near-term production
- Activity in Gulf of Mexico underpins repairs and replacements market

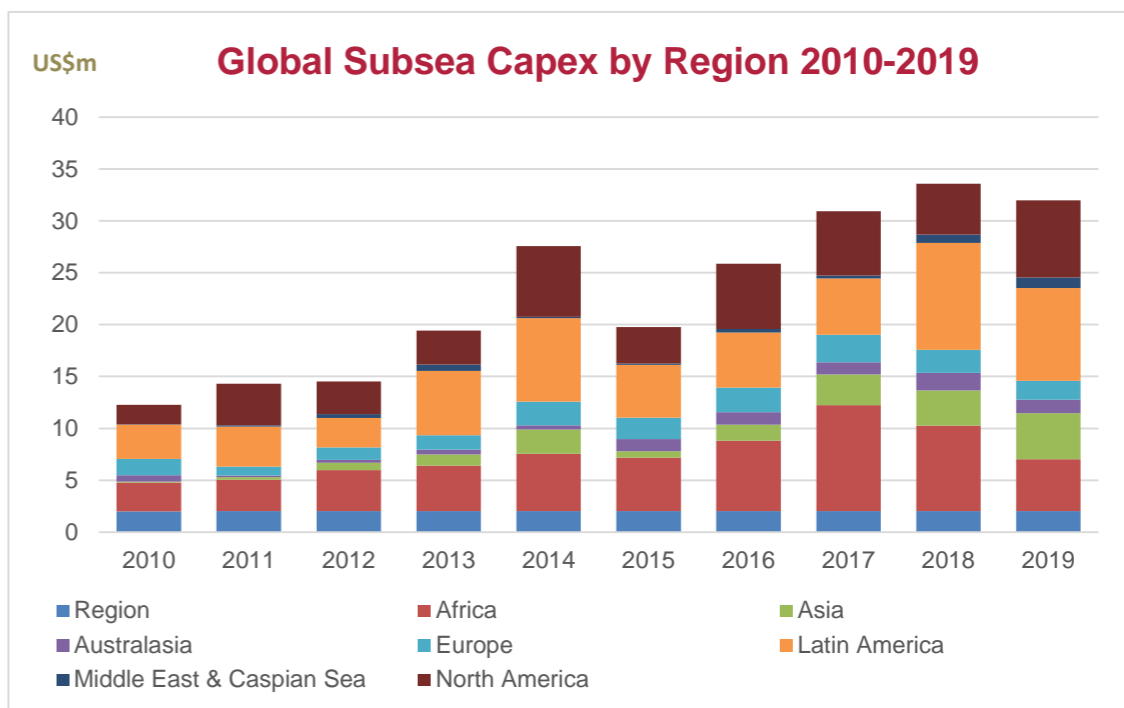
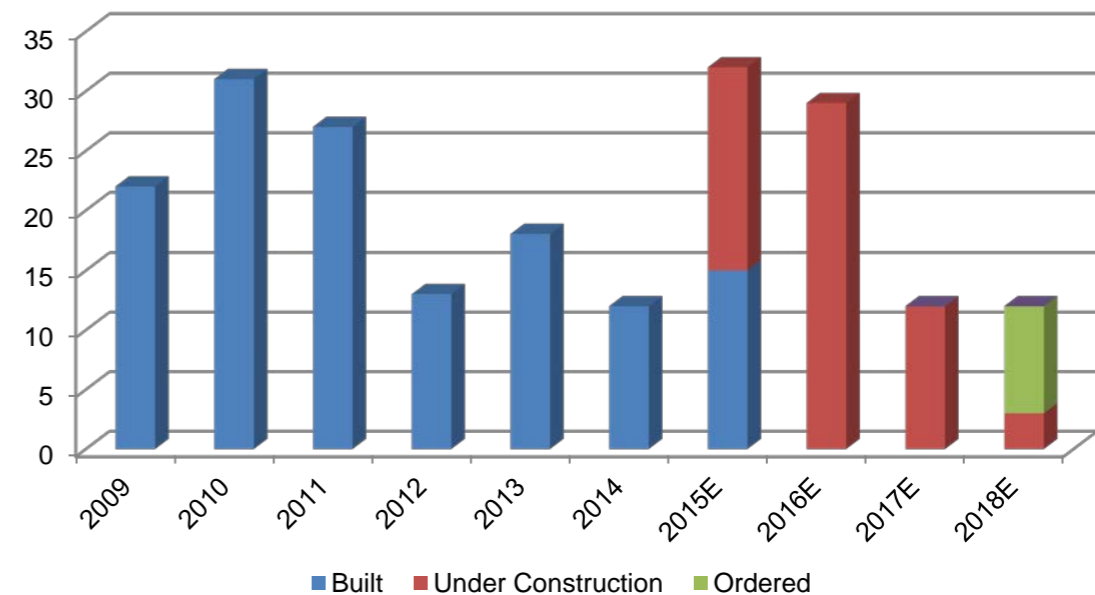
### SURF AND SUBSEA SOLUTIONS

- Global subsea capex is forecast to increase from CY16 onwards. Large offshore and deepwater projects (e.g. Appomattox FID and Browse FEED) still getting sanctioned
- Qualification process remains critical to Matrix

### WELL CONSTRUCTION

- GOM deepwater and ex-USA offshore not as severely affected as North America onshore
- New markets likely to drive growth in short term until recovery of shale gas market
- Expanding presence and service offering in SE Asia and the Middle East

Confirmed Newbuild Drillships



# Strategy

## Overview

### 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



# Strategy

## Growth initiatives

### NEW APPLICATIONS

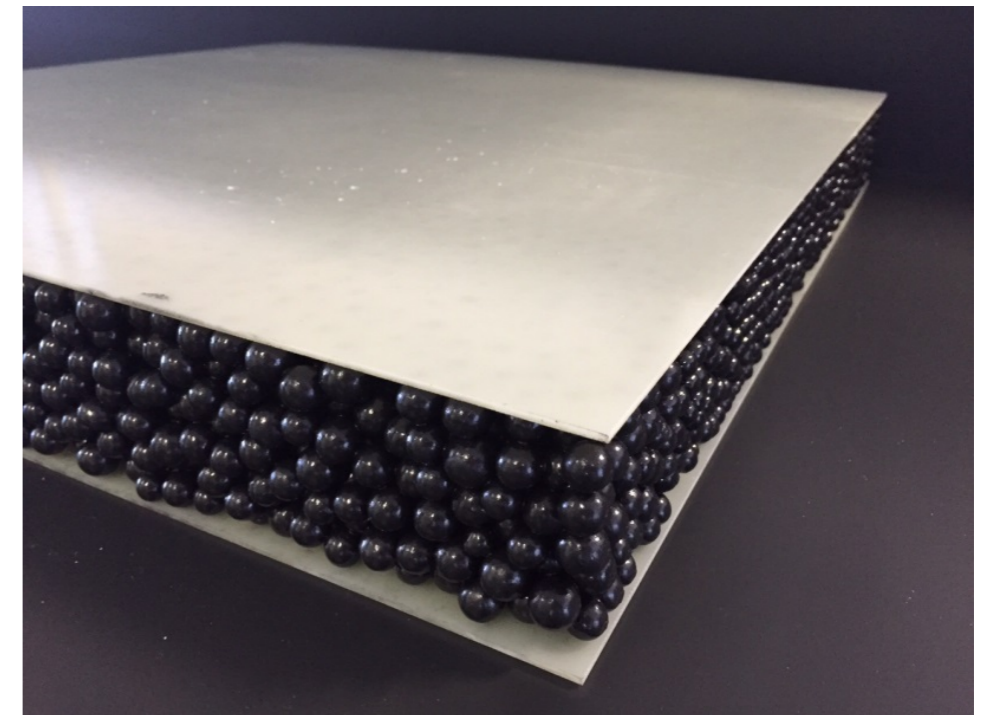
- Floating docks, platforms and shallow water flotation
- Energy absorption
- Ballistic protection, crash barriers, core materials
- Evaporation control

### NEW GROWTH MARKETS

- Defence
- Transportation
- Infrastructure
- Alternative Energy
- Water

### BUILD ON CORE COMPETENCIES

- Advanced Composites
- Thermoplastics



# Strategy

Technical leadership

## DEVELOPMENT OF DISRUPTIVE TECHNOLOGY

### – MATRIX LGS

- Completely displaces competition – patent protected, high value proposition and Australian developed
- Strong value proposition – reduces downtime on offshore drillships
- Applicable to both newbuilds and the aftermarket – increases potential market size by 2-3 times

## DRIVE TO STANDARDISATION

- IsoBlox system is a composite building block system for assembling large floating structures
- Drive to eliminate bespoke nature of their structures – i.e. customise from a catalogue – just like Lego™
- Reduces engineering time, lead time & cost, and are completely transportable



# Conclusion

## SUMMARY

- Strong FY15 earnings, in line with expectations
- Continued to reduce gross debt and re-commenced dividend payments
- Proven ability to win work in a competitive environment through supplying high quality products and services

## 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

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