



Microequities 10th Microcap Conference

MATRIX COMPOSITES & ENGINEERING

Aaron Begley – Chief Executive Officer

5 July 2016



Agenda

- Company overview
- Business operations
- Strategy & outlook



What we do

- Matrix is an advanced materials technology company specialising in syntactic foam materials, composites and engineering polymers.
- A globally recognised manufacturer of engineered products, subsea buoyancy systems and other specialised polymer products for the oil and gas sector including:
 - Deepwater drilling and Subsea production buoyancy and drag reduction systems.
 - High performance well construction products.
- A global presence with a distribution network spanning five continents.
- Currently leveraging core skills in engineering and advanced composites to pursue new markets in civil engineering, infrastructure, defence, and marine applications.



Company overview

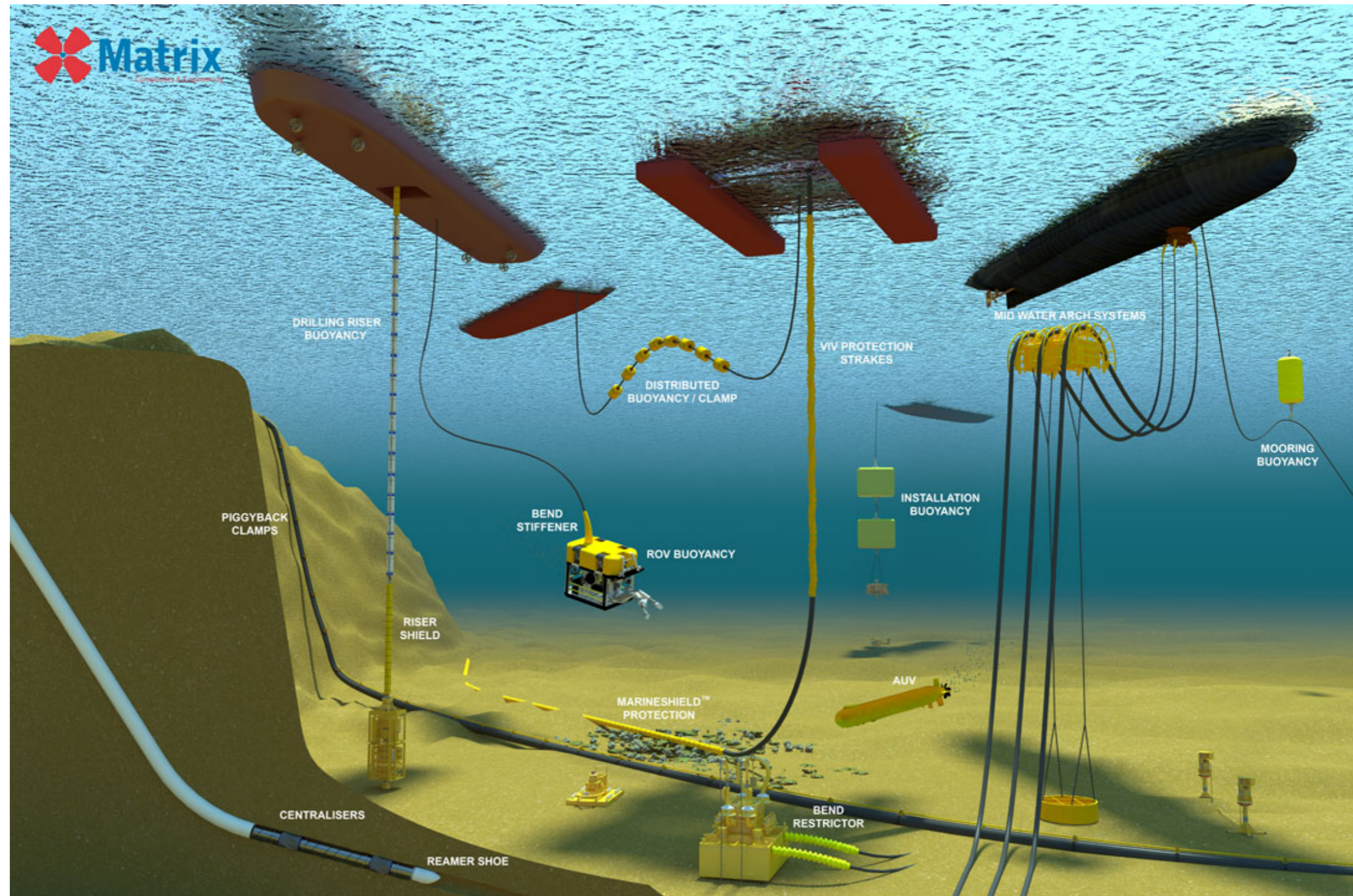
State of the art manufacturing facility in Henderson, Western Australia



“Products designed and manufactured at the world's largest, most technically advanced composites syntactic plant covering 20,000m² delivering higher quality, cost effective products.”

Company overview

Matrix supplies engineered products to the oil & gas and other industries



Matrix services a broad range of clients in the global energy industry



Corporate snapshot

SHARE PRICE



MAJOR SHAREHOLDERS

Max Begley Group	24.0%
Allan Gray	18.2%
Forager Funds Management	8.5%
Perennial Value	6.9%
Other Institutions	4.2%
Management & Directors	5.8%

CORPORATE DETAILS

ASX Code	MCE
Issued Shares	93,750,000
Share Price (at 29 June 2016)	A\$0.415
Market Capitalisation	A\$38.9m

BOARD AND MANAGEMENT

Peter Hood	Chairman
Aaron Begley	Managing Director
Duncan Clegg	Non-Executive Director
Steven Cole	Non-Executive Director
Craig Duncan	Non-Executive Director
Peter Tazewell	Chief Financial Officer
Alex Vincan	Chief Operating Officer

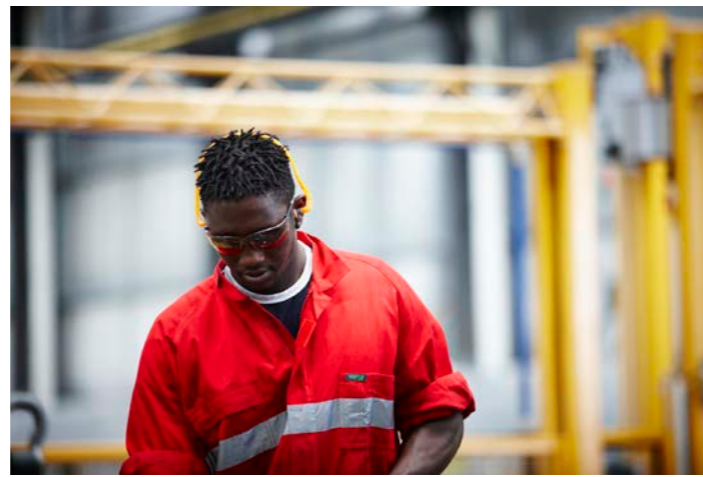
Financial summary: generating earnings with no debt

FINANCIAL PERFORMANCE

- FY16 revenue guidance of approximately \$95 million.
- FY16 underlying EBITDA guidance of approximately \$11 million (before non-recurring costs and foreign exchange gains/losses).

FINANCIAL POSITION

- No term debt.
- Net cash position at 30 June 2016.
- Three year, \$20 million debt facility to November 2017 provides significant available liquidity and flexibility with customer contractual terms.

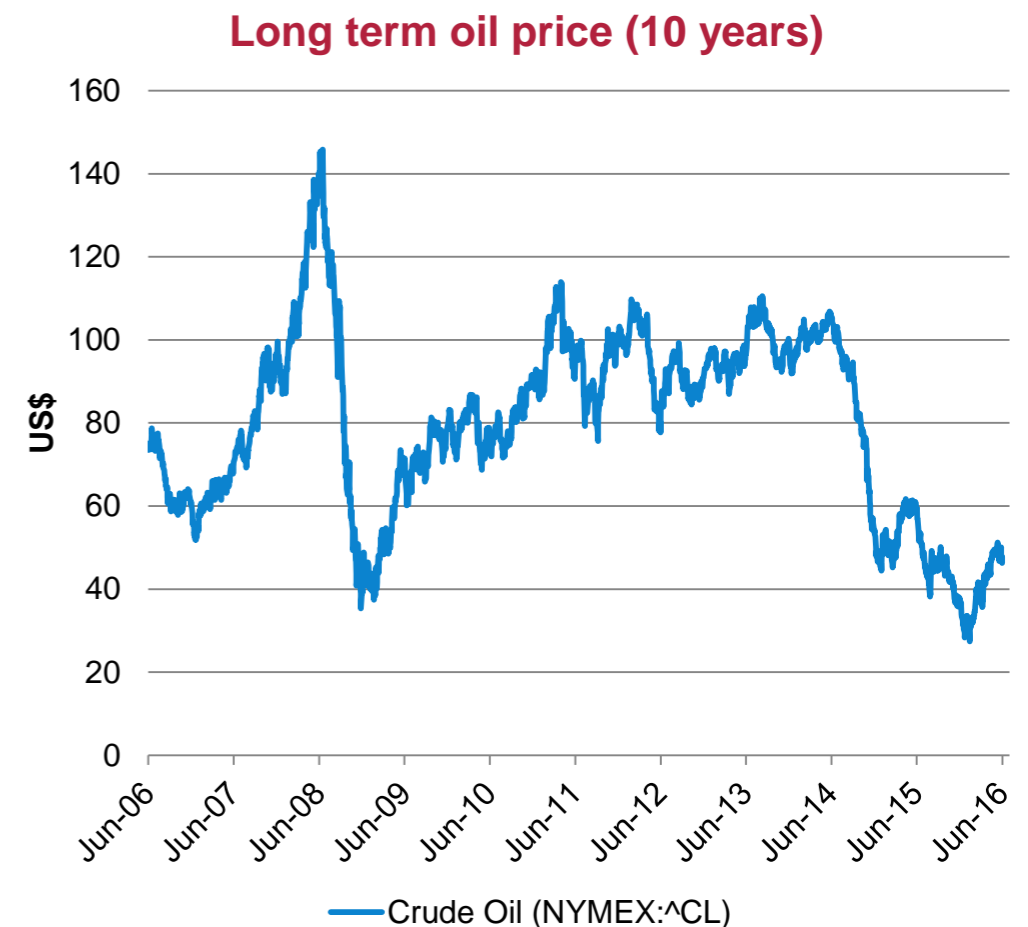


Business operations

Operating in a lower oil and gas price environment

IMPACT OF LOWER GLOBAL OIL PRICES

- Demand for drilling equipment has remained low as customers delay orders and project delivery dates.
- We have seen delays to order conversions and rig deliveries and accelerated fleet retirements.
- 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

How Matrix has responded

- Moderated production and capital expenditure.
- Launch of new LGS™ technology in February – a revolutionary drag reduction product that targets the operating floating rig market and subsea production installations.
- Targeting the Middle East and Asia as developing markets for well construction products.
- Continued R&D focus in developing new products, including outside of the oil and gas sector such as infrastructure, defence, and marine.
- Strong record and focus on safety, with zero LTIFR in FY15 and FY16.
- Outlook remains positive over the medium to long term despite short-term uncertainty.

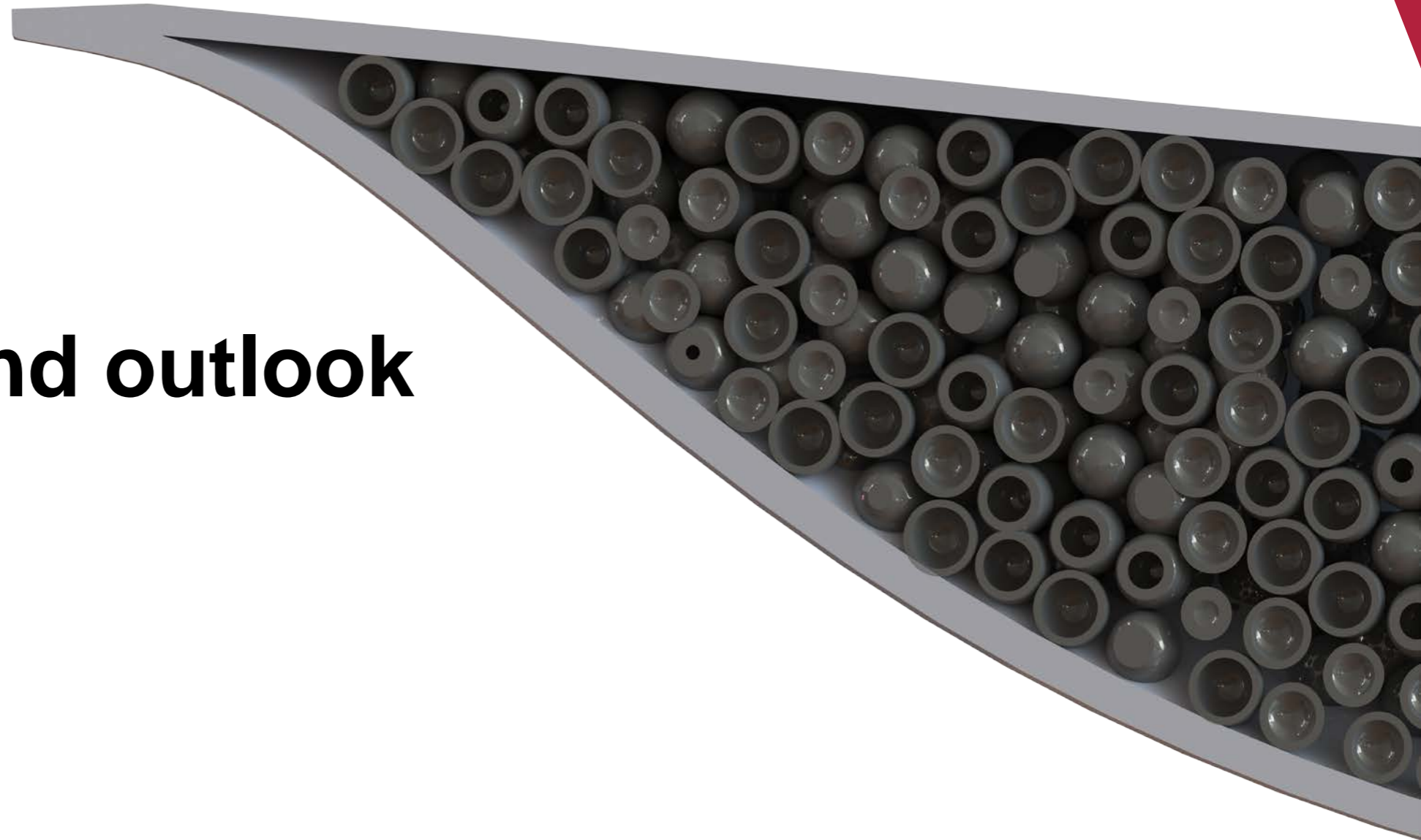


Where Matrix is positioned in the industry

- World leader in a niche market with a small number of participants, with Matrix possessing a competitive advantage through leading technology and highly scalable infrastructure.
- Demonstrated R&D and commercialisation capabilities. The first LGS orders occurred within a few weeks of product launch.
- Excellent global reputation.
- Proven earning model with high scalability of manufacturing plant.
- Actively exploring non oil & gas opportunities to increase plant throughput.



Strategy and outlook



Strategy in place to target new opportunities

PRODUCTION RESPONSE

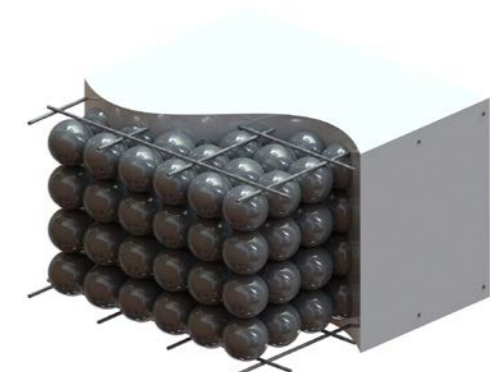
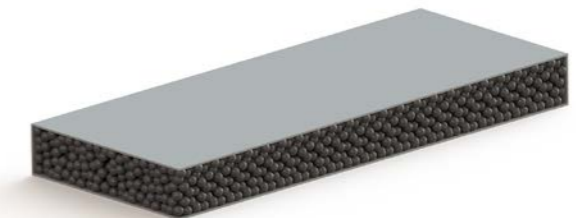
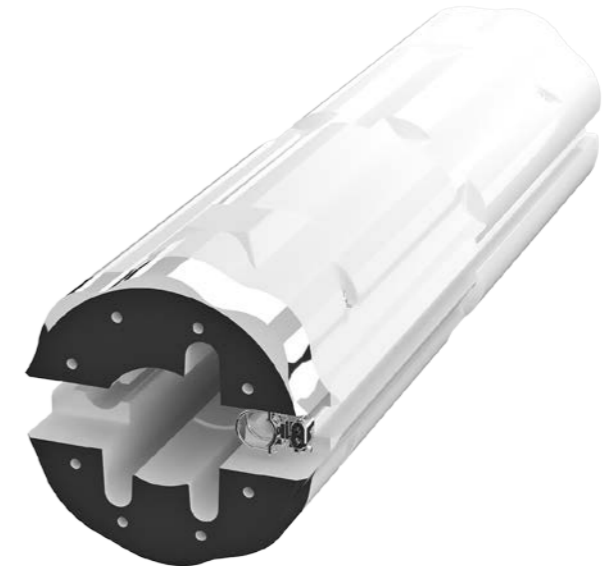
- Utilised ability to moderate production.
- Ongoing operational improvement, cost efficiencies.

NEW PRODUCTS FOR EXISTING MARKETS – LGS

- Targets existing rig fleet and new applications for subsea production, reducing reliance on newbuild rigs.

NEW GROWTH MARKETS

- Core skills in engineering and advanced materials coupled with R&D capacities enable Matrix to explore new markets.
- Defence and Marine – High value lightweight structural materials, impact and energy absorption systems.
- Civil and Infrastructure – High volume lightweight, high strength civil engineering materials and products.



New product launch: LGS™

- Consistent with company strategy of **innovation** and creation of new business lines in difficult operating environment.
- LGS™ **reduces drag** for floating rigs operating in strong ocean currents, allowing operators to reduce costs and increase production through less down time.
- Unique **highly differentiated** product.
- Patent protected, **high value proposition** and Australian developed.
- Receiving strong interest from operators.
- Attributable market for LGS in the drilling market only is **in excess of US\$400 million**.
- 2 orders already received.
- **Delivered first contract**, due to be deployed in the Gulf of Mexico in June 2016.

[Click here to view LGS video](#)



What's happening in existing markets

CAPITAL DRILLING EQUIPMENT

- Demand from new build drill ships under construction will underwrite near-term production.
- Activity in Gulf of Mexico underpins repairs and replacements market.

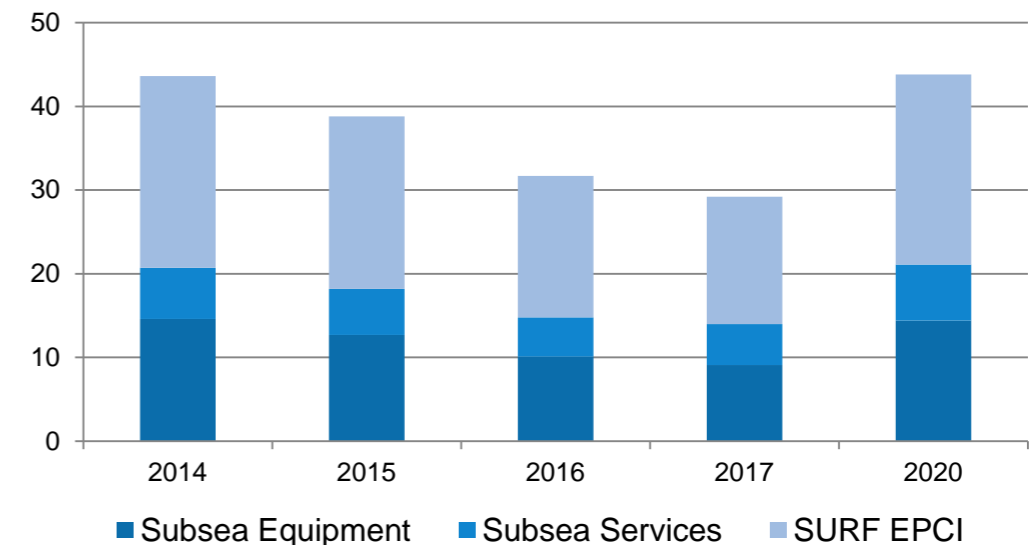
SURF AND SUBSEA SOLUTIONS

- Global subsea capex is forecast to increase from CY16 onwards. Large offshore and deepwater projects. Matrix apply LGS to subsea products to increase differentiation.

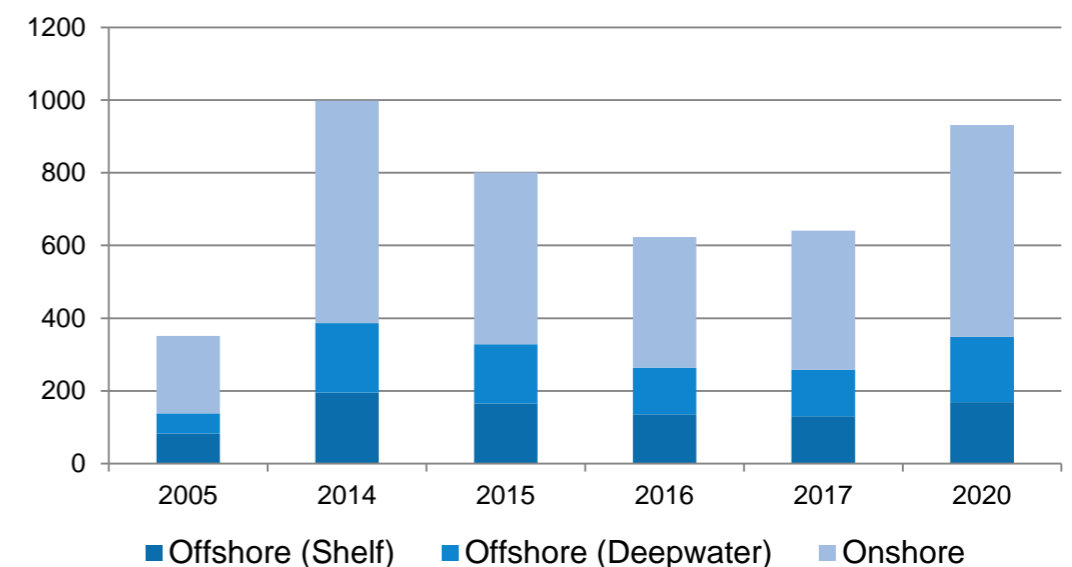
WELL CONSTRUCTION

- Onshore drilling recovery emerging.
- 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.

Total Global Spend by Segment (\$B)

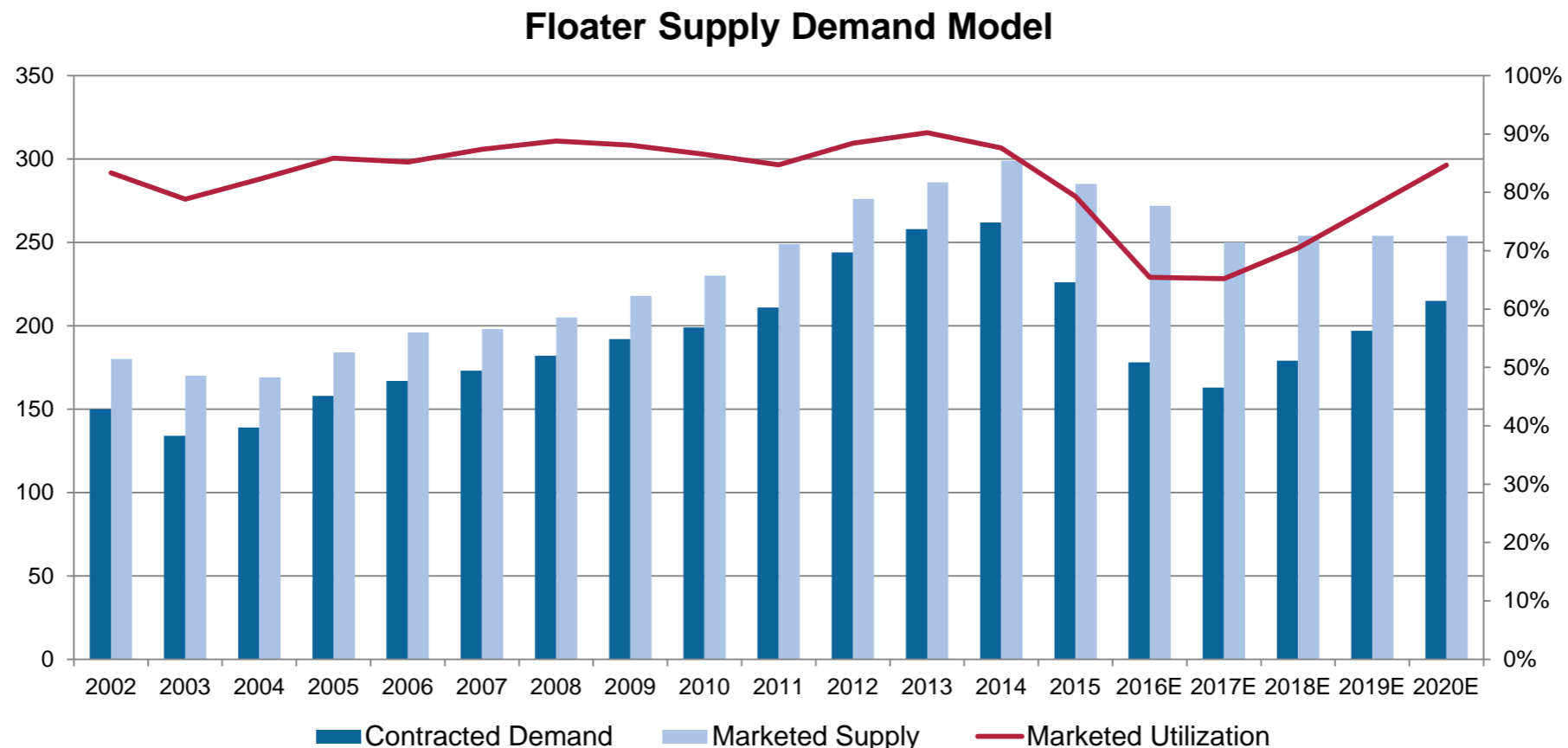


Total Global CapEx + OpEx (\$B)



Matrix positioned to benefit from oil price recovery

- Able to flex output and costs to meet demand.
- Market and technology leading position.
- LGS positioned to reduce drilling costs and provide technological advantages, accessing existing rig fleet and newbuilds.
- Demand for drillships forecast to increase, positively impacting demand for drilling buoyancy products.



Source: Morgan Stanley, Oil Services, Drilling & Equipment, 16 February 2016

Investment highlights

- New products, new markets, and increased efficiencies to offset difficult trading conditions.
- Quality products provide a market leading position, such as being recognised as supplier of choice in the drilling riser buoyancy market.
- Successful product launch of LGS, strong value proposition evident in contract wins already secured.
- Targeting the Middle East and Asia as developing markets for well construction products.
- Maintain strong R&D focus to support leading edge products.
- Reiterate FY16 revenue guidance of approximately \$95 million and underlying EBITDA of approximately \$11 million.
- Strong balance sheet with nil term debt.
- Significant upside when oil price recovers.

Contact details

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Appendix

Key financial metrics at 31 December 2015

		1H FY16	FY15	1H FY15	HoH Var
Revenue	\$m	63.4	144.1	78.5	19.2% ↓
EBITDAF	\$m	7.9	21.1	12.3	36.1% ↓
EBITDA	\$m	7.4	19.5	13.6	45.4% ↓
Underlying EBITDA	\$m	9.3	22.7	13.6	31.2% ↓
Net profit/(loss) after tax	\$m	1.1	3.6	3.9	71.1% ↓
Earnings per share	c	1.2	3.8	4.1	70.9% ↓
Dividends per share	c	nil	3.0	2.0	n/a
Gross Debt	\$m	(13.7)	(8.0)	(10.0)	37.1% ↑
Adjusted Net (Debt)/Cash	\$m	(4.9)	(7.8)	7.2	n/a
Interest Cover	times	29.0	26.9	21.6	34.8% ↑
Operating Cash Flow	\$m	(2.4)	6.8	15.2	n/a
Employees		189	255	350	46.0% ↓
Backlog	US\$m	56.1	93.1	86.0	34.8% ↓

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