

APPENDIX 4E

Results for announcement to the Market

Matrix Composites & Engineering Ltd

Preliminary Final Report for the Year Ended 30 June 2016

Results for announcement to the market

Appendix 4E

Preliminary Final Report
Period Ended 30 June 2016

Name of entity

Matrix Composites & Engineering Ltd

ABN or equivalent company reference

009 435 250

Period ended ('Current Period')

30 June 2016
Previous corresponding period: 30 June 2015

Extracts from this report for announcement to the market

				\$000s
Revenues from ordinary activities	Down	33.6%	to	95,728
Profit/(loss) from ordinary activities after tax attributable to members	Down	158.2%	to	(2,114)
Net profit/(loss) after tax for period attributable to members	Down	158.2%	to	(2,114)
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend	nil		N/A	
Interim Dividend	nil		N/A	
Record date for determining entitlements to the dividend	N/A			
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
\$1.25	\$1.33

Dividends

Date the dividend is payable

N/A

Record date to determine entitlements to the dividend

N/A

Amount per security

Final Dividend:

Current year
Previous year

Interim Dividend:

Current year
Previous year

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

Total Dividends

Total Dividend:

Current year
Previous year

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

Control gained over entities having material effect

During the year ended 30 June 2016 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 2016 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

24 August 2016
Perth, Western Australia

24 August 2016

Matrix delivers earnings in line with guidance

Highlights

- Revenue of \$95.7 million (FY15: \$144.1 million) impacted by the subdued oil and gas sector
- Statutory EBITDA of \$6.4 million (FY15: \$19.5 million)
- Underlying EBITDA¹ of \$11.3 million (FY15: \$24.3 million)
- Net loss after tax of \$2.1 million (FY15: \$3.6 million NPAT)
- Strong balance sheet, with term debt retired and an adjusted net cash² position of \$3.6 million (30 June 2015: \$7.8 million net debt)
- Positive cash flow from operations of \$2.8 million
- Continued investment in new products, technology and target markets
- No dividend determined, in order to maintain liquidity

Matrix Composites & Engineering Ltd (MCE) has today reported revenue and earnings for FY16 in line with guidance, with revenue of \$95.7 million (FY16 guidance: \$95 million) and underlying EBITDA¹ of \$11.3 million (FY16 guidance: \$11.3 million).

MCE reported lower revenue in FY16 over FY15 due to sustained low global energy prices reducing demand for associated equipment and services to the sector, including MCE's products. The lower revenue resulted in reduced earnings in FY16 compared to FY15.

MCE Chief Executive Officer Aaron Begley said the Company's ability to maintain positive operating margin and cash flow in this environment reflected ongoing improvements to the cost base and success in targeting growth markets and launching new products such as LGS™.

¹ Underlying EBITDA excludes non-recurring costs (\$3.8 million) and foreign exchange losses (\$1.1 million).

² Adjusted net cash comprises Cash less Financial Debt less Progress Claims and Deposits.

“The sustained low global oil price has had a significant impact on oil service companies such as Matrix,” Mr Begley said.

“Despite these market conditions, we have demonstrated our ability to adapt by maintaining production at sufficient levels to generate positive cash flow and continued to invest in new products and technology.

“We have entered the 2017 financial year in a strong financial position with no term debt and a positive cash position, ensuring we are well positioned to build on our early success with new products and growth markets as well as benefit from an oil price recovery.”

MCE maintained a strong safety performance, with the Company recording zero LTIFR in FY16 (FY15: zero) and being LTI free since May 2014.

Financial Results FY16

MCE recorded EBITDA of \$6.4 million on revenue of \$95.7 million in FY16 compared to EBITDA of \$19.5 million on revenue of \$144.1 million in FY15.

The reduced revenue was primarily attributable to a reduction in the output of buoyancy products, as demand slowed given sustained low global oil prices.

MCE incurred non-recurring costs of approximately \$3.8 million in FY16, primarily reflecting redundancy costs and a non-cash loss on the sale of the Company's former Malaga workshops.

Removing the impact of non-recurring costs, MCE delivered underlying EBITDA of \$11.3 million, in line with guidance provided to the market on 11 May 2016. This represented an EBITDA margin of 11.8 per cent (FY15: 16.9 per cent).

The full year net loss after tax of \$2.1 million was adversely impacted by the lower production rates and the level of non-recurring expenses.

MCE recorded a gross cash balance of \$8.4 million at year end and, with the retirement of term debt, delivered an adjusted net cash (cash less financial debt and progress claims and customer deposits) position of \$3.6 million as at 30 June 2016 (30 June 2015: \$7.8 million net debt position). Operating cash flow during the period was \$2.8 million (FY15: \$3.5 million).

Dividends

The Board has determined not to pay a final dividend for the year ended 30 June 2016. This decision is considered to be prudent capital management and is in line with the Board's previously announced Dividend Policy of paying dividends not exceeding net profit after tax.

Outlook

MCE's backlog at 30 June 2016 was US\$46.0 million, which supports production through to the end of H1 FY17.

Mr Begley said: "The energy market remains subdued, with a reduction in capital expenditure budgets across the industry. However, operators focus on reducing production costs is presenting significant opportunities for Matrix, given our ability to deliver innovative products that generate cost efficiencies and productivity improvement, such as LGS™.

"Our first LGS™ has already been deployed in the Gulf of Mexico and we have a significant level of additional enquiries following the product's launch earlier this year.

"Matrix is also building on our expansion into supplying new markets, such as the Middle East and South East Asia, as well as targeting opportunities to supply products and services in non-energy markets, with ongoing investment in new products and technologies.

"We continue to review our cost structure to align with current market conditions whilst ensuring we retain our proven ability to increase production when market conditions improve.

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

-ends-

For further information please contact Peter Tazewell, Chief Financial Officer on +61 8 9412 1200 or email 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.

LGS is a trademark (pending registration) of AMOG Technologies Pty Ltd. Developed by AMOG, LGS technology has three patents pending.