



2016 ANNUAL GENERAL MEETING

Matrix Composites & Engineering Ltd

2 November 2016



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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 2016, 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 Craig Duncan, 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	Against	Open	Abstain
57,155,497	129,906	27,466	28,089

▶ Resolution 2

As an ordinary resolution

- “That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the Managing Director and Chief Executive Officer Aaron Begley of 1,133,333 Share Appreciation Rights under the Matrix Rights Plan, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting, be approved.”

For	Against	Open	Abstain
35,400,020	344,326	27,466	25,013

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

▶ Resolution 3

As an ordinary resolution

- That the Remuneration Report, as set out in the Company's 2016 Annual Report, is adopted.

For	Against	Open	Abstain
35,504,134	227,546	27,466	37,679

- 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.

► 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 FY16

Earnings

- Maintained positive EBITDA despite decrease in revenue
- Driven by labour and material efficiency improvements

Eliminated debt

- No term debt as at 30 June 2016
- Company maintains good net cash position

Strong safety performance

- Group LTIFR of 0 continues
- Group MTIFR of 0 achieved as at 28 February 2016 & continuing

Operations

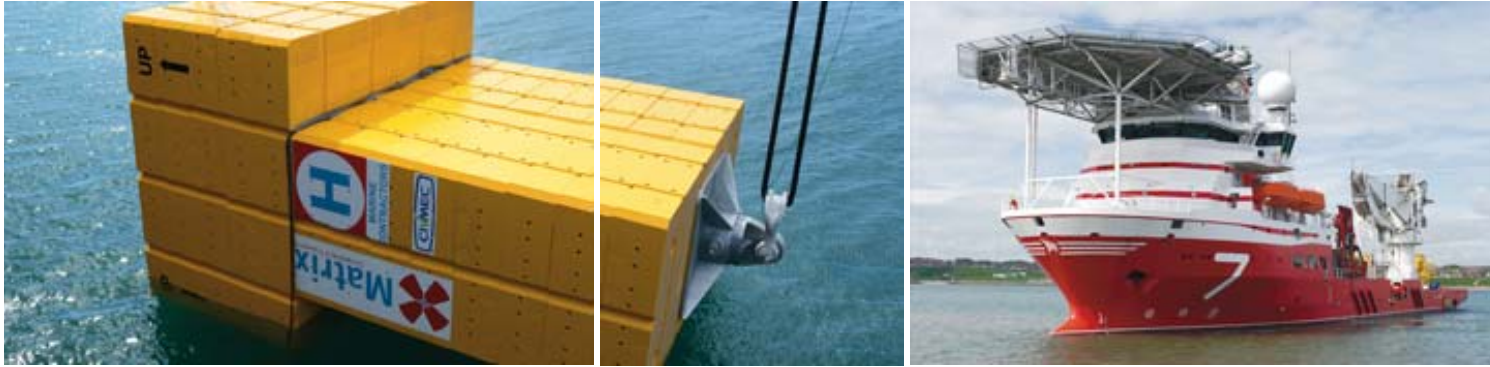
- Managed production output and reduced overheads

Increased R&D

- Deployed revolutionary LGS
- Investing in new products for alternative markets

Positioned for growth & diversification

- Clear growth initiatives to build on core capabilities and technologies



Company Overview

Operating in a lower oil and gas price environment

- Subdued oil and gas sector adversely impacting demand for products and services to the industry.

CAPITAL DRILLING EQUIPMENT

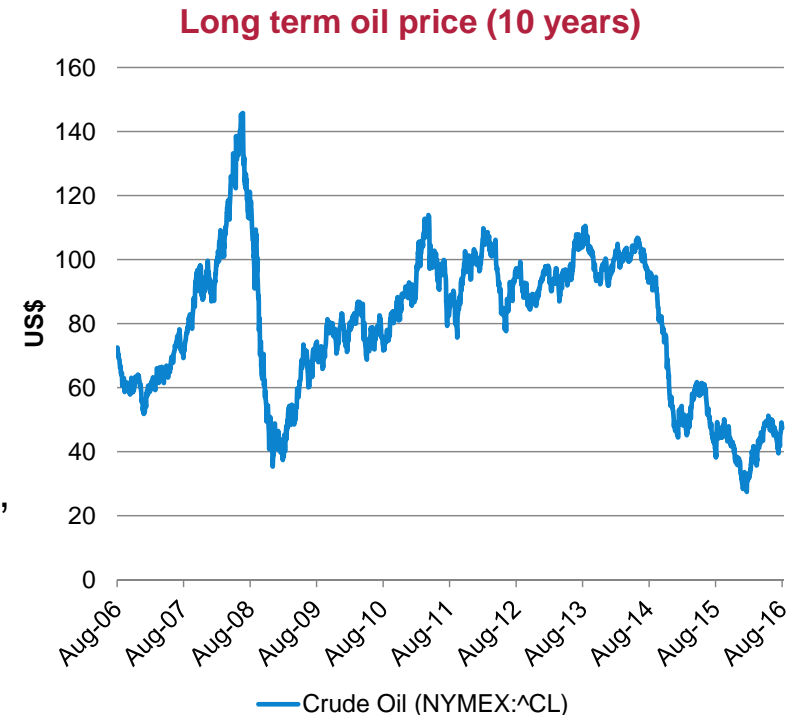
- Market for buoyancy products has been challenging, with drillship utilisation and day-rates at low levels.
- Fleet retirements accelerating as older vessels are either scrapped or cold-stacked.
- Continued demand from replacement buoyancy market, particularly in Gulf of Mexico.

SURF AND SUBSEA SOLUTIONS

- Subsea expenditure has stabilised after a significant reduction in 2015.

WELL CONSTRUCTION

- Onshore North American market for well construction products has been significantly impacted by the fall in the oil price, outlook improving.
- New markets in Asia and Middle East being developed, providing revenue growth in this sector.



Source: Capital IQ

How Matrix has responded

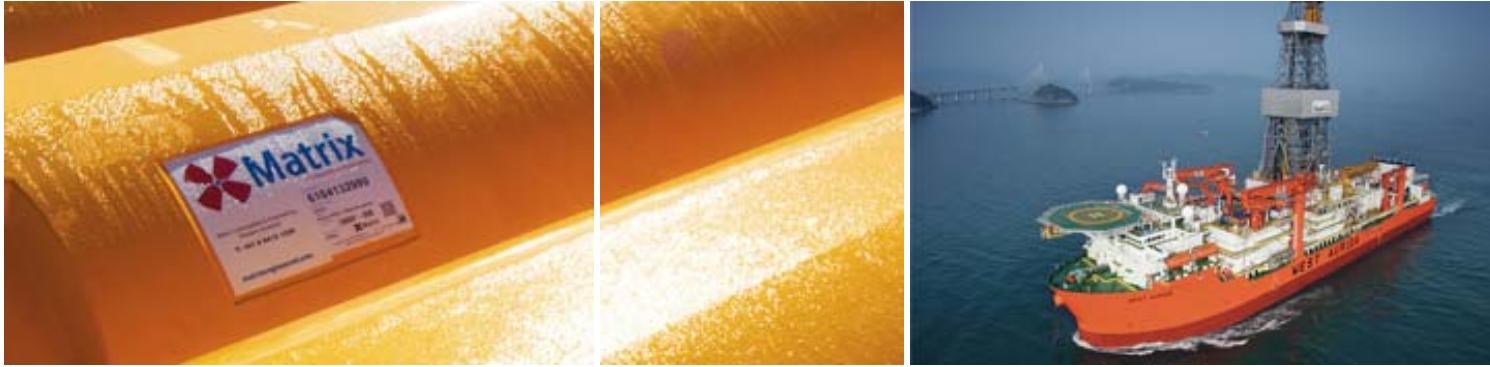
- Reduced production and achieved efficiency gains whilst targeting growth opportunities.
- Outlook remains positive over the medium to long term despite short-term uncertainty.

NEW TECHNOLOGY AND PRODUCTS

- Launch of new LGS™ technology in February – a revolutionary drag reduction product that targets the operating floating rig market and subsea production installations.
- Quotations in excess of US\$150 million of LGS™ buoyancy, with the first installed system being deployed in the Gulf of Mexico in June 2016.

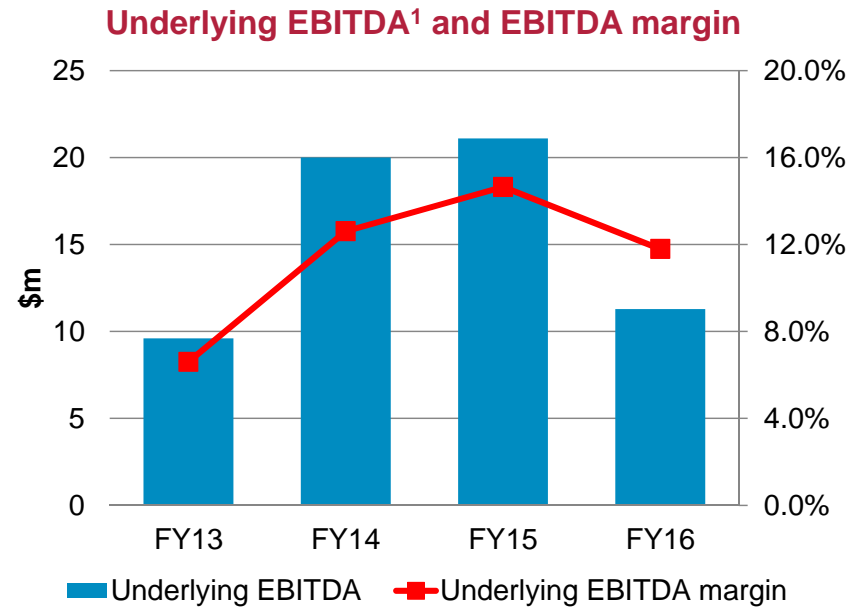
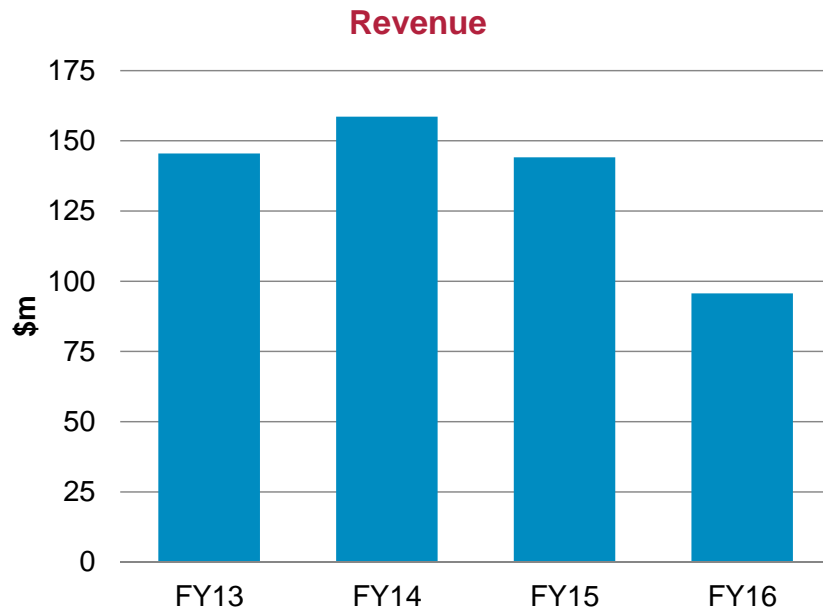
NEW MARKETS AND SERVICES

- Success in targeting new, developing markets in the Middle East and Asia for well construction products.
- Continued R&D focus to develop products for new markets, including outside of the oil and gas sector such as infrastructure, defence, and marine.



Financial Summary

Earnings



EARNINGS ANALYSIS

- Reduced revenue attributed to reduced production.
- Earnings adversely impacted by lower manufacturing output arising from reduced backlog.

MARGIN ANALYSIS

- Reduction in margin attributed to fixed cost base and low production volumes.

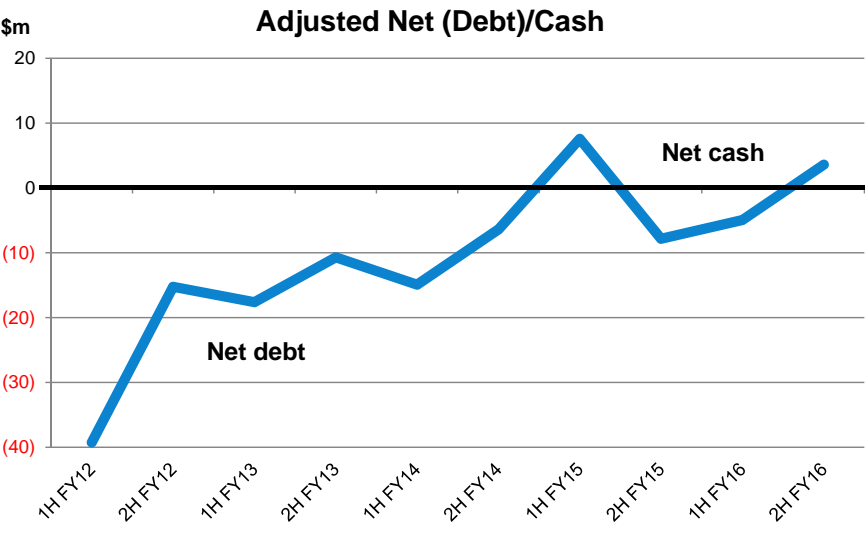
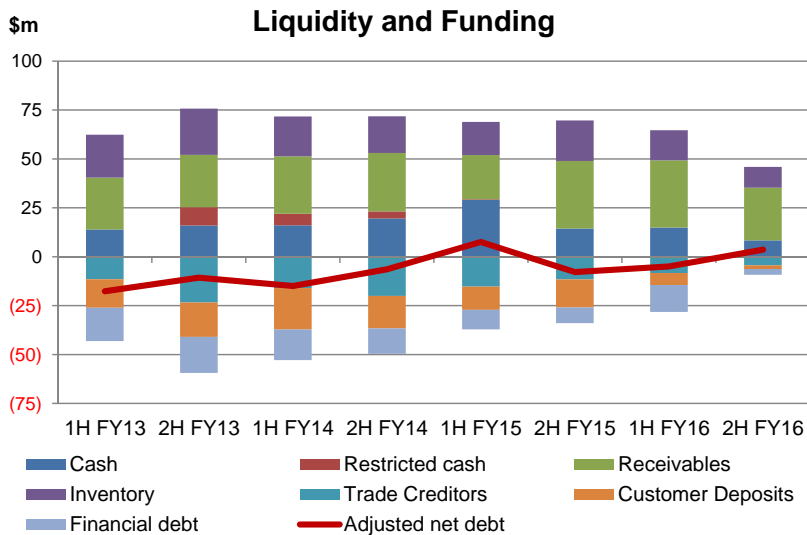
ORDER BOOK

- June 16 Order Book US\$46m (Jun 15 \$93m)

▶ Debt and banking

- Term debt eliminated, moving to net cash position.
- Generated a positive \$2.8m cash flow from operations during the year.
- Maintain modest facility for working capital purposes.

\$m	FY16	FY15
Cash	8.4	14.5
Progress claims and deposits	(1.9)	(14.3)
Term debt	-	(8.0)
Trade finance debt	(2.9)	-
Adjusted net cash/(debt)	3.6	(7.8)





Outlook and Strategy

Strategy

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

Existing market (oil & gas)

Well Construction Products

Offshore Services

SURF and Subsea

Capital Drilling Equipment

New markets

Construction and infrastructure

- Lightweight construction materials
- Construction chemicals
- Composite products for civil engineering and rail infrastructure

Advanced materials

- Energy absorption materials
- Defence products
- Speciality materials and syntactics

Outlook in existing markets

- Current market conditions in the deep water drilling sector remain challenging. The sector is likely to remain flat throughout 2017 and into 2018.

RESPONSE:

- **Restructuring**

- Matrix has restructured its business, reduced its fixed asset base and lowered production to meet demand, whilst retaining the ability to increase production when the market improves
- Production rescheduling and restructure means underlying FY17 EBITDA expected to be neutral, even if Matrix wins no further work
- Additional revenue is anticipated due to near term opportunities exceeding US50m as at 31 October 2016 and a pipeline of further potential work exceeding \$180 million, supported by repeatable short term business, which is earnings upside

- **Reinvesting**

- Matrix continues to invest in new growth products in the oil & gas sector such as the Matrix LGS™, aftermarket support and well construction which continues to grow

- **Diversifying**

- Diversification of Matrix's core capabilities into the infrastructure and construction and Advanced Materials (Defence) sector

New product for existing markets: 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.
- Attributable market for LGS in the drilling market only is **in excess of US\$400 million**.
- Two orders already received.
- **Delivered first contract**, deployed in the Gulf of Mexico in June 2016.
- Receiving strong interest from operators.



Strategy in place to target new opportunities

NEW PRODUCTS FOR EXISTING MARKETS – LGS

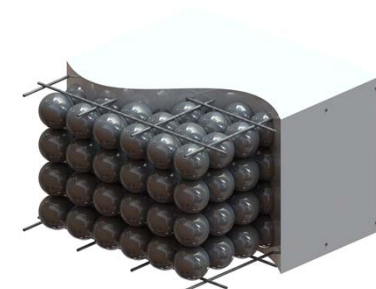
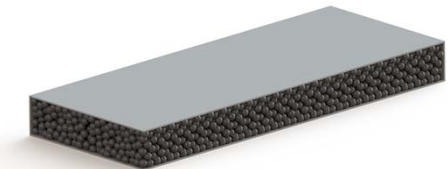
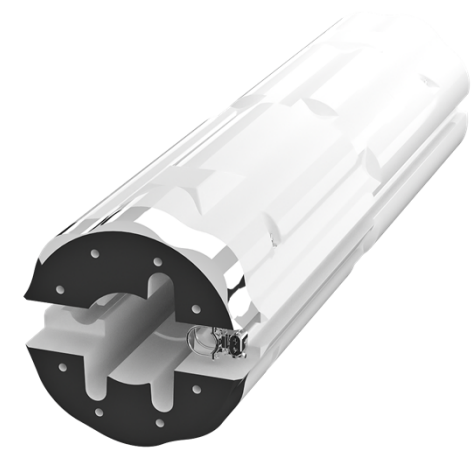
- Targets existing rig fleet and new applications for subsea production, reducing reliance on newbuild rigs.

TARGET NEW GROWTH MARKETS

- Core skills in engineering and advanced materials coupled with R&D capacities enable Matrix to explore new markets.
- New technical product and technical service opportunities being aggressively pursued.

PRODUCTION RESPONSE IN EXISTING MARKETS

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



Summary

- Matrix positioned to benefit from oil price recovery with a market and technology leading position, as well as a strong balance sheet and capacity to flex up production.
- Continuing to review cost base and output to align the business with market demand.
- LGS™ deployed and positioned to reduce drilling costs and provide technological advantages, accessing existing rig fleet and newbuilds.
- New products, new markets, and increased efficiencies to offset difficult trading conditions in the short-term, with Matrix continuing to generate cash flow from operations.
- Targeting the Middle East and Asia as developing markets for well construction products.
- Maintain strong R&D focus to support diversification of technologies into new markets.
- Significant opportunities to expand into defence and marine, civil and infrastructure which will diversify the business away from the cyclical oil & gas construction sector.

Contact details

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