



# 2017 First Half Results Presentation

MATRIX COMPOSITES & ENGINEERING

Aaron Begley – Chief Executive Officer

Brendan Cocks – Chief Financial Officer

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# Overview

## Financial

- Small underlying EBITDA<sup>1</sup> loss of \$1.0m despite major revenue reduction.
- Strong \$5.6m cash flow from operations.
- \$8.4m net cash position at the end of 1H, with further improvement in 2H with 90% payment of US\$10.9m order due (balance to be paid in FY18).
- No term debt.
- Fixed costs of the business reduced substantially.

## Operating

- Maintained excellent safety record – no LTI's for the period.
- Adapted business model from continuous to project-based production without compromising ability to meet likely demand profile.
- Excess plant and personnel capacity re-tasked to produce new products.

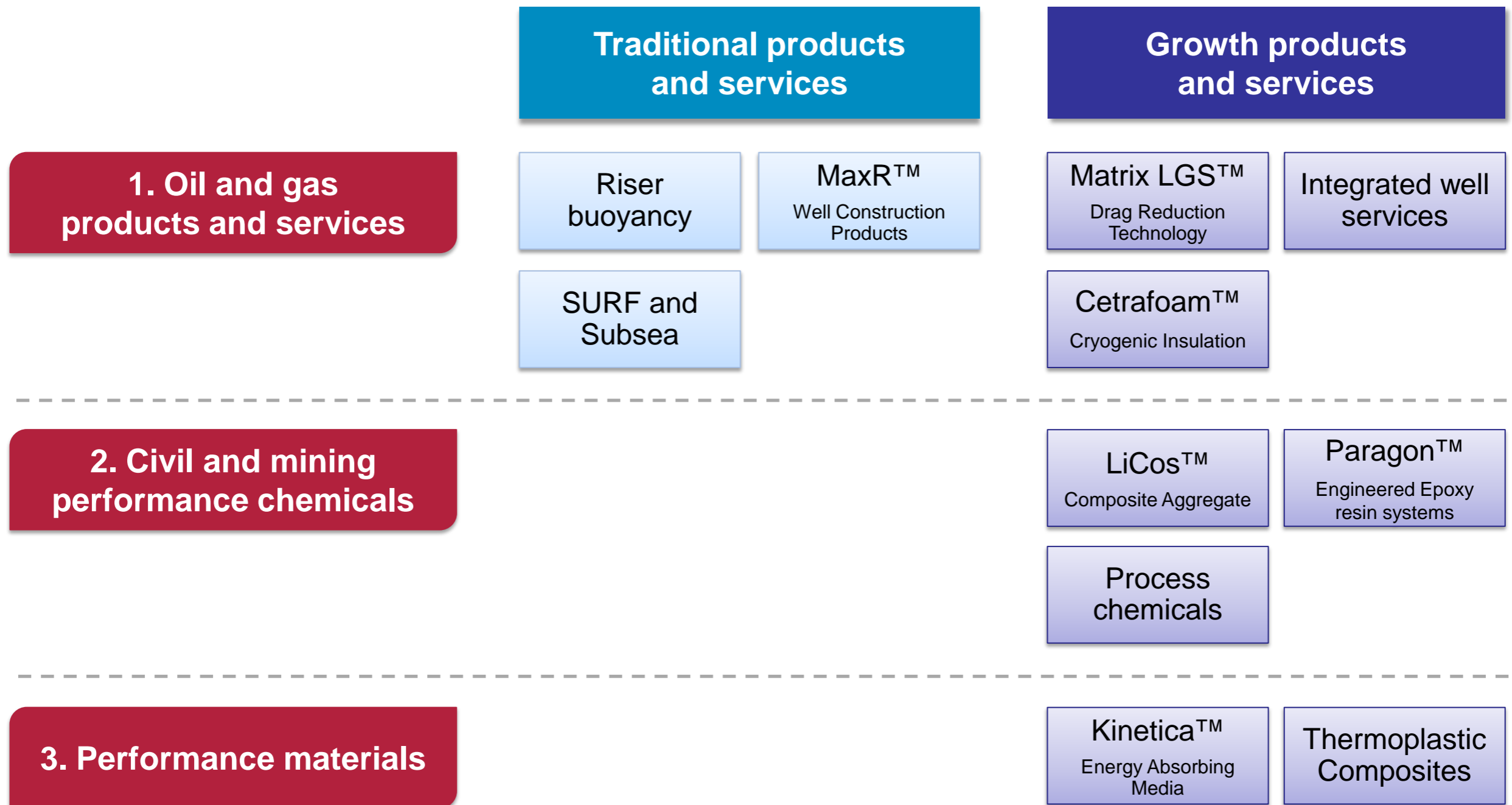
## Outlook

- Delivering on strategy to pursue new revenue opportunities.
- Developed new business structure targeting growth opportunities in three core areas: Oil & Gas, Civil & Mining, and Performance Materials.
- Growth opportunities utilise Matrix's existing core capabilities.

# Delivering against strategic priorities

FY17 priority	Progress
Review cost base and output to align the business with market demand.	➔ Restructured business to align costs. Moved to project-based production.
Diversify the business by expanding into: 1. Civil & Mining Performance Chemicals, and 2. Performance Materials	➔ Restructured business with three pillars of focus.
Maintain strong R&D focus to support diversification of technologies into new markets.	➔ Developed new products, with official launch to occur in H2 FY2017.
Target Middle East and Asia for well construction products.	➔ Record sales into Asia In 1H. ME sales and service presence increased .
LGS™ positioned to reduce drilling costs and provide technological advantages.	➔ One system has been under test in the Gulf of Mexico since July 2016, with a second system due for deployment in mid-2017.

# New business structure targeting growth



# H1 FY2017 Financial Results

CFO – BRENDAN COCKS



# Key financial metrics

		1H FY17	1H FY16
Revenue	\$m	22.9	63.4
EBITDA	\$m	(9.9)	7.4
Underlying EBITDA <sup>1</sup>	\$m	(1.0)	9.8
Net profit/(loss) after tax	\$m	(12.4)	1.1
Earnings per share	¢	(13.2)	1.2
Dividends per share	¢	nil	nil
Operating cash flow	\$m	5.6	(2.4)
		31 Dec 2016	30 Jun 2016
Gross debt	\$m	(3.8)	(3.4)
Adjusted net (debt)/cash	\$m	8.4	3.6
Employees		105	149
Order book	US\$m	22.0	46.0

- Revenue and earnings impacted by continued weakness in deep sea drilling market.
- \$4.9m depreciation charge on Henderson manufacturing facility affects pre-tax profit result.
- Positive operating cash flow (working capital unwind).
- Increased net cash position.
- Order book of US\$22.0m at 31 December 2016, however managing potential client deferrals.

# Underlying EBITDA

\$m	1H FY17	1H FY16
Statutory EBITDA	(9.9)	7.4
Non cash impairment charge	6.4	
Exit of Leased premises (termination & make good)	1.2	-
Redundancy costs	1.2	1.1
Insurance adjustment	-	0.3
Inventory written off	-	0.3
Other	-	0.2
Foreign exchange loss/(gain)	0.1	0.5
<b>Underlying EBITDA<sup>1</sup></b>	<b>(1.0)</b>	<b>9.8</b>

- Impairment charge of \$6.4m relates to a non cash write off of intangible goodwill relating to the previously closed MOSE Engineering business.
- Underlying result continues to be impacted by redundancy costs as cost base is right sized to market demand.
- Exited leased properties in Malaga, Karratha and Houston (USA) to reduce fixed cost base.

# Balance sheet

\$m	31 Dec 16	30 Jun 16	31 Dec 15
Cash	14.3	8.4	14.9
Trade and other receivables	19.5	26.9	34.4
Inventory	8.6	10.6	15.4
Property, plant & equipment	77.5	81.7	88.5
Intangible Assets	2.8	9.0	8.6
Deferred tax (net)	9.1	6.9	3.6
Other assets	0.5	0.8	2.0
<b>Total Assets</b>	<b>132.3</b>	<b>144.3</b>	<b>167.4</b>
Trade payables	3.4	4.4	8.3
Progress billing	2.1	1.9	6.1
Financial liabilities	3.9	3.4	14.1
Provisions	1.7	1.2	1.2
<b>Total Equity</b>	<b>121.2</b>	<b>133.4</b>	<b>137.7</b>
Adjusted net cash/(debt)	8.4	3.6	(4.9)
Net working capital	22.6	31.3	35.3

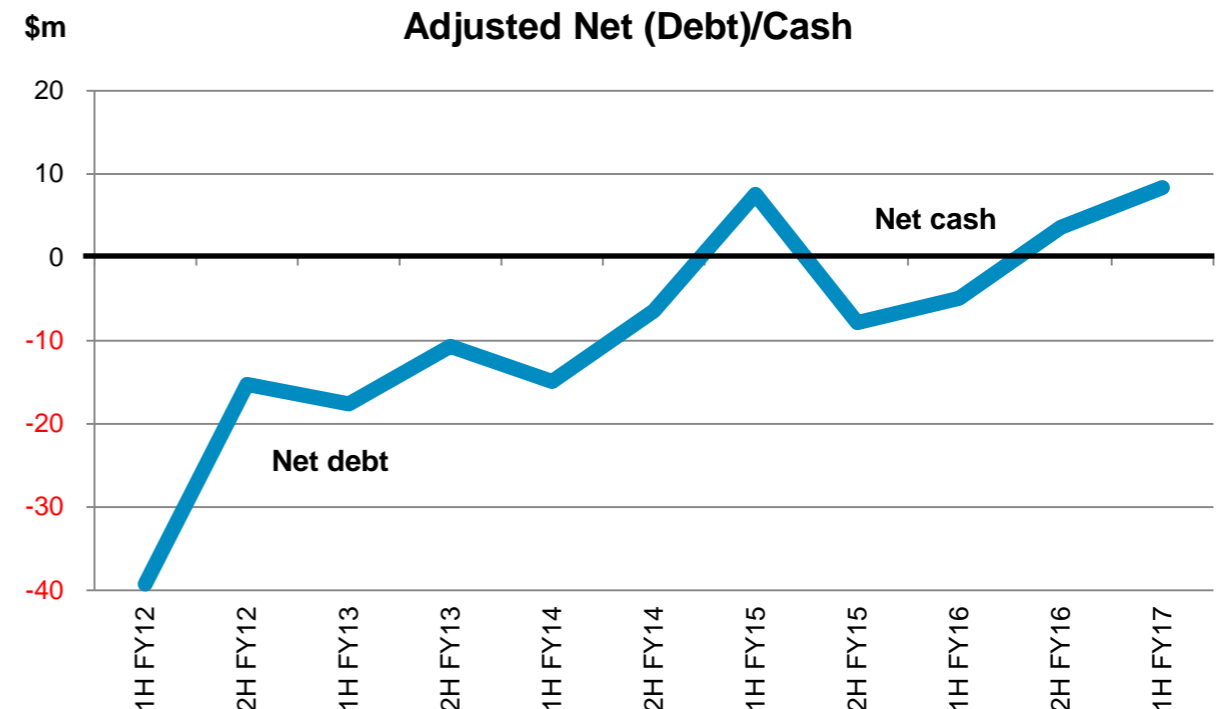
- Net cash position of \$8.4m.
- Delivered positive cashflow in the half.
- Cash position to be further bolstered in 2H17, with 90% of US\$10.9m order to be paid in 4Q17.
- Working capital continued to be managed down in response to lower production volumes helping net cash position.



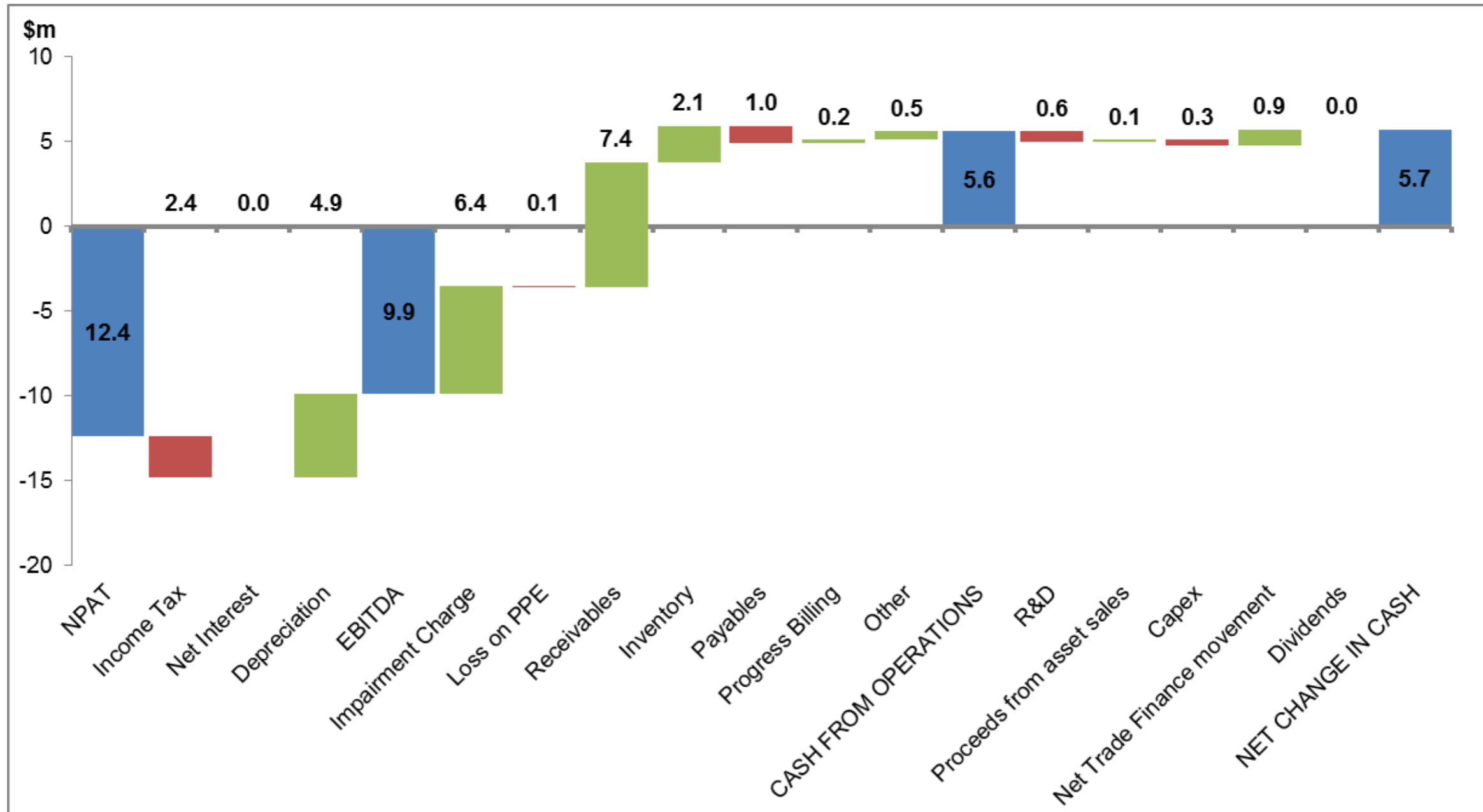
# Debt and banking

- Improved net cash position.
- Utilising trade finance facilities of \$3.8m, smoothing timing differences between receipts from customers and payments to suppliers.
- Undrawn available facilities of \$5.4m.
- Entered into renewed banking facility terms with ANZ in February 2017 to better align with Matrix's business position:
  - \$13.3m trade finance and bank guarantee facility (\$5.4m undrawn at 31 Dec 16).
  - Minimum gross cash of \$5m held in ANZ accounts.
  - No increase in facility fees and rates.

\$m	1H FY17	1H FY16
Cash	14.3	8.4
Progress claims and deposits	(2.1)	(1.9)
Term debt	-	-
Trade finance debt	(3.8)	(2.9)
Adjusted net cash/(debt)	8.4	3.6



# Cash flow from operations



# Growth strategy and outlook

CEO – AARON BEGLEY



# Operating in a lower oil and gas price environment

- Deepwater market is expected to remain subdued through CY2017, resulting in low levels of new build rig activity.
- Significant pickup in brownfield SURF quotation activity.
- Middle East (ME) onshore market maintaining strength and sustained increase in North America (NAM) onshore activity.
- Increased LNG and offshore production support opportunities in Australian market.

## WHAT IT MEANS FOR MATRIX'S BUSINESS

- Adapted business model from continuous to project-based production without compromising ability to meet likely demand profile.
- Outlook for LGS remains positive, as it is targeted at the aftermarket and has applications in mid-depth and deepwater drilling.
- Increased sales and service presence in ME and NAM markets for well construction products.
- Increased focus of SURF and LNG insulation products.
- Formation of new business unit targeting oil & gas offshore production support.

# How Matrix has responded

- Over past 12-18 months Matrix has pursued a strategy that targets new products and services for alternative markets in order to reduce reliance on new build rigs.
- Resulted in a new business structure being established, targeting opportunities in three key areas:

1. Oil and gas  
products and services

2. Civil and mining  
performance chemicals

3. Performance  
materials

- These key areas utilise Matrix's existing core capabilities and assets in:
  - **Advanced materials and technologies:** Composite materials, syntactic foams, engineering plastics, and thermoset technologies.
  - **Intellectual property:** Proven R&D capacities, chemical processing expertise.
  - **Fixed assets:** Large, modern manufacturing facility at Henderson with existing capacity and functionality to deliver new offerings.

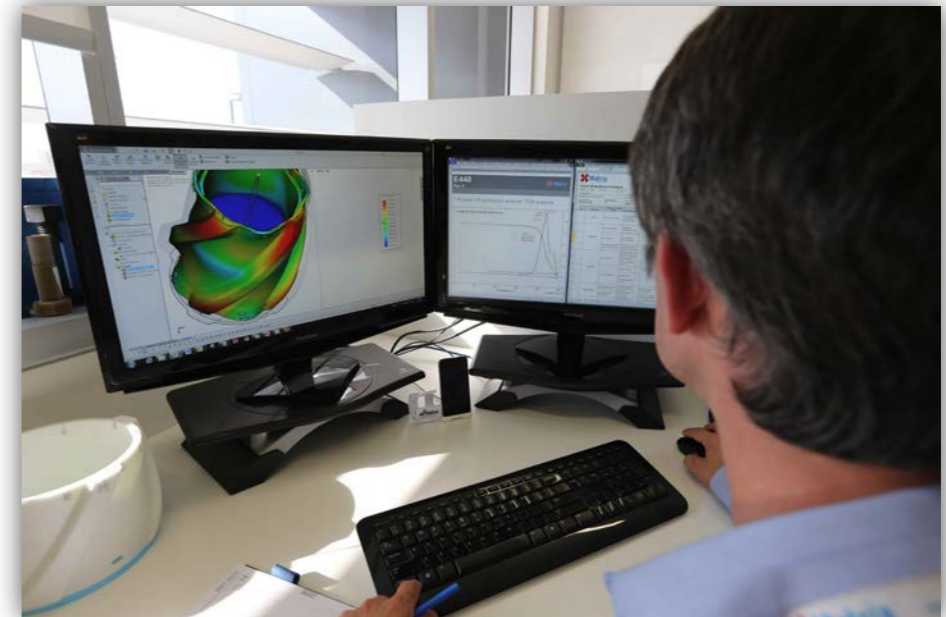
# 1. Oil and Gas: traditional products/services

## Riser buoyancy

- Reduced fixed cost base and moved to a project-based production model to meet expected demand profile, order size and project timing.
- \$330m in tenders for oil & gas products, but expect ongoing delays in orders due to uncertainty over relatively weak oil price.

## MaxR™ Well Construction Products

- Matrix experiencing strong demand for well construction products as a result of NAM pickup in demand.
- Matrix is increasing resources in ME & USA.



## SURF and Subsea

- SURF brownfield opportunities in shallow and deep water is expected to be maintained throughout the Oil & Gas cycle supporting sustained demand for SURF products. Matrix has reinvested in SURF to improve competitiveness.
- In 2016 Matrix established a well services division to provide ongoing production support to Australian based offshore operators.

# 1. Oil and Gas: growth products/services

## Matrix LGS™

Drag Reduction  
Technology

- First system deployed in July 2016.
- Undergoing a series of instrumented tests in the Gulf of Mexico to prove the efficacy of the system in reducing VIV and drag under high current conditions.
- Second system will be deployed in mid-2017 in a high current area of the GOM – test data to be collected and analysed over the next six months .



## Cetrafoam™

Cryogenic Insulation

- Matrix Cetrafoam™ cryogenic insulation is a single layer, moulded insulation system designed to dramatically reduce site installation times.

## Integrated well services

- Matrix supplies experienced personnel to plan and execute wellhead maintenance, completion, testing and abandonments.



## 2. Civil and mining performance chemicals

Process  
chemicals

- Capability at existing Henderson plant to provide consumables to mining industry and synthetic aggregates to the construction sector.

Paragon™  
Engineered Epoxy  
resin systems

- Epoxy resin systems for use in the minerals processing sectors.
- High value consumables, made at Matrix's Henderson Plant.

LiCos™  
Composite Aggregate

- Reduces concrete densities by up to 30% whilst maintaining the compressive strength of traditional concrete.
- Global market applications in pre-cast and bulk concrete applications for civil and engineering construction.



**PARAGON**  
EPOXY RESINS



# 3. Performance materials

Kinetica™  
Energy Absorbing  
Media

- Lightweight syntactic foam created by bonding together millions of engineered composite spheres – result is a porous, chemically inert material with closely controlled crush strength and isotropic energy absorption.
- Applications in crash barriers, mining, civil, marine and defence , with a number of large volume tenders out for Kinetica™
- Utilises Matrix’s State of the art sphere manufacturing capabilities
- The strength and design flexibility of traditional thermoset laminates with added toughness and impact resistance.
- Processed on Matrix’s automated Henderson production line.

Thermoplastic  
Composites



# Outlook

- Delivering on stated strategy to expand into new products and markets, away from the cyclical nature of oil & gas growth capex products, by utilising existing expertise and capacity:

1. Oil and gas products and services	2. Civil and mining performance chemicals	3. Performance materials
<ul style="list-style-type: none"><li>• Ongoing demand in consumables (well construction products), project-based work on capex products (LGS and SURF the focus) and maintenance (LNG) products</li><li>• Exploring opportunities in high value services to oil and gas sector</li></ul>	<ul style="list-style-type: none"><li>• Utilise established chemical processing expertise and plant capacity to provide consumables to mining industry (e.g. engineered resins and process chemicals used in mining production)</li><li>• LiCos™ synthetic aggregate for lightweight concretes</li></ul>	<ul style="list-style-type: none"><li>• Energy absorption materials (e.g. Kinetica™), defence products, and speciality materials and syntactics</li></ul>

- FY17 earnings to be subdued but Matrix has a strong cash position with minimal debt and low cost base, enabling targeted investment in new business lines to deliver on growth opportunities.

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