

24 August 2017

Matrix FY17 results in line with guidance

Summary

- Revenue of \$33.1 million (FY16: \$95.7 million), impacted by subdued global oil and gas prices throughout the year
- Underlying EBITDA¹ loss of \$4.4 million (FY16: \$11.3 million EBITDA), in line with guidance
- Strong cash flow from operations of \$11.4 million (FY16: \$2.8 million)
- Increase in adjusted net cash² to \$14.1 million (30 June 2016: \$3.6 million adjusted net cash), with no term debt, well positioning Matrix to pursue its diversification strategy
- Diversified business structure targeting growth opportunities in four core areas – Energy, Resources, Civil & Infrastructure, and Defence
- Diversification strategy beginning to yield results, with Matrix recently awarded ~\$5.0 million in contracts all outside of traditional riser buoyancy market

Matrix Composites & Engineering Ltd (ASX:MCE, “Matrix” or the “Company”) has today announced its results for FY17, reporting an underlying EBITDA¹ loss of \$4.4 million which was in line with guidance announced on 23 June 2017.

Matrix’s revenue of \$33.1 million was lower than FY16 due to the continued weak global demand for riser buoyancy products used on new build drill rigs as a result of ongoing weak oil and gas prices.

Matrix reported a statutory net loss after tax of \$19.7 million (FY16 \$2.1 million NPAT loss), impacted by a \$6.4 million one-off, non-cash goodwill write off relating to the previously closed MOSE Engineering business, as reported in H1 FY17.

Matrix Chief Executive Officer Aaron Begley said significant progress had been made during the year to restructure the business and develop products targeting growth opportunities.

¹ As in prior years, underlying EBITDA excludes non-recurring costs (impairment charge of \$6.4m and restructuring charges of \$3.3m relating to redundancies and exit of leased premises) and foreign exchange losses (\$1.5m).

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

“Over the past year we have laid the building blocks to diversify the Matrix business by harnessing the company’s strengths and applying them towards growth markets,” Mr Begley said.

“Our traditional riser buoyancy product depends on drilling contractors building new rigs in response to rising oil and gas prices, and low demand meant we accordingly moderated production throughout the year.

“Meanwhile, we continued to develop and refine products that utilise Matrix’s leading position in composite materials and its advanced manufacturing facility in Henderson to target growth opportunities in energy, resources, civil & infrastructure, and defence sectors.

“We are seeing the early results of this strategy, with the company recently awarded approximately \$5 million in contracts outside of Matrix’s traditional riser buoyancy market.

“In the coming year Matrix will continue to pursue these growth opportunities, supported by the company’s strong balance sheet.”

Financial Results FY17

MCE recorded an EBITDA loss of \$15.6 million (FY16: \$6.4 million EBITDA), impacted by non-recurring restructuring costs and H1 FY17 impairment charges. The Company did, however, generate strong operating cash flow of \$11.5 million, further strengthening the Company’s very sound balance sheet that is well-positioned to pursue Matrix’s diversification strategy.

Throughout the year demand for riser buoyancy products remained weak, resulting in lower revenue. As well as investing in growth opportunities, Matrix continued to reduce its fixed cost base as orders were completed. This resulted in non-recurring restructuring costs of \$3.3 million in FY17 (redundancies and lease terminations). In H1 FY17, the Company also reported a non-cash impairment charge of \$6.4 million relating to intangible goodwill from the previously closed MOSE business.

After removing the impact of these non-recurring costs and foreign exchange losses, Matrix delivered an underlying EBITDA loss of \$4.4 million, as per the Company’s guidance.

Matrix strengthened its balance sheet position in the year, with an adjusted net cash position of \$14.1 million at 30 June 2017 compared to \$3.6 million at 30 June 2016 and no term debt.

The Board of MCE has decided not to declare a dividend for the period, to retain adequate levels of working capital.

MCE has been LTI free at its Henderson facility since May 2014 and recorded zero LTIFR in FY17 (FY16: zero).

Outlook

Matrix has made significant progress in its diversification strategy that is aimed at delivering sustainable revenue growth across the business. The Company has developed a wide range of products and services that:

1. Fit within Matrix's proven capabilities in advanced materials and technology.
2. Build on the Company's intellectual property in product development and advanced manufacturing.
3. Utilise our plant at Henderson – the largest, most technically advanced composite manufacturing facility in Australia.

These products and services have been strategically developed to target areas of demand within Matrix's traditional Energy market as well as growth markets in Resources, Civil & Infrastructure, and Defence.

Matrix Chief Executive Officer Aaron Begley said the focus in FY18 will be to continue marketing and developing these products.

“Our new products are at various states in their development, with some already receiving customer orders while others are in the advanced testing phase,” Mr Begley said.

“For example, earlier this week we were awarded a multi-million contract to manufacture LGS™ for an offshore pipeline. Outside of the energy sector the company has launched Paragon™, LiCos™ and Kinetica™, three distinct product groups that draw on the company's expertise in materials engineering and applied across a broad range of growth sectors.

“In addition, our MaxR™ range of well construction products – a consumable used in shale and horizontal wells – is receiving sustained demand in the USA and growing interest in Asia and the Middle East.

“We also have in excess of US\$200 million in tenders across our SURF, LGS, and traditional riser buoyancy products.”

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About Matrix Composites & Engineering

From its headquarters in Australia's largest composite manufacturing facility in Henderson, Western Australia, Matrix Composites & Engineering ('Matrix') manufactures and supplies engineered products, functional additives, and advanced materials to the Energy, Resources, Civil and Infrastructure, and Defence sectors. Matrix has an established reputation for developing and utilising advanced composite and polymer materials and technologies to develop products and systems that are easier and safer to use, improve productivity, and are more durable.

Matrix's diverse product range includes:



Matrix LGS™

LiCos™

