

22 February 2018

## Matrix announces 1H FY18 results

### Summary

- Revenue of \$11.9 million (1H FY17: \$22.9 million)
- EBITDA loss of \$2.3 million (1H FY17: \$9.9 million EBITDA loss)
- Net loss after tax of \$6.6 million (1H FY17: \$12.4 million NPAT loss)
- Maintained a solid balance sheet position, with adjusted net cash<sup>1</sup> of \$10.5 million at 31 December 2017 and no term debt
- Strong growth in revenue from products and services targeting non-cyclical oil and gas expenditure in production, maintenance and rectification works
- Increased level of enquiries for oil and gas drilling projects after an extended period of low capital expenditure, although any rebound is expected over medium term
- Diversification strategy in targeted growth markets generating early momentum, including \$4 million in new agreements announced in January 2018

Matrix Composites & Engineering Ltd (MCE) has today announced its results for H1 FY18, reporting a narrowed Net Loss After Tax of \$6.6 million (1H FY17: \$12.4 million NPAT loss).

Group revenue was lower than the prior corresponding period at \$11.9 million (1H FY17: \$22.9 million), reflecting ongoing subdued demand for riser buoyancy products given historically weak oil and gas prices. However, revenue was higher than 2H FY17 (\$10.2 million), with Matrix generating the majority of its revenue in the half from products used in production, maintenance, and rectification projects that are being targeted under the Company's diversification strategy.

Matrix Chief Executive Officer Aaron Begley said growth in revenue from its LGS<sup>TM2</sup>, SURF, and MaxR<sup>TM</sup> products during 1H FY18 was encouraging.

"Since launching our diversification strategy more than 12 months ago we have had growing success in manufacturing products for the oil and gas sector that are used in production or

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<sup>1</sup> Adjusted net cash comprises Cash less Financial Debt less Progress Claims and Deposits.

<sup>2</sup> LGS<sup>TM</sup> is a registered trade mark of AMOG Technologies Pty Ltd. Matrix has the exclusive world-wide licence to commercialise LGS.

solving unique operational problems as opposed to our traditional buoyancy products in deepwater drilling operations,” Mr Begley said.

“For example, sales from our MaxR range of centralisers – a consumable used for production at shale and horizontal wells – in the six-month period were up more than 80 per cent compared to a year ago.

“We also successfully completed a \$4 million job using our LGS product at a WA offshore pipeline in the half that demonstrated the versatility of our LGS product by successfully applying it at shallow depth for the first time.

“In addition, there has been early positive momentum with our expansion into our other three target sectors of civil and infrastructure, resources, and defence, where we are providing solutions that utilise our proven expertise in advanced composites and engineering.”

The Board of MCE has decided not to declare an interim dividend for the period in order to invest in growth opportunities, in line with H1 FY2017.

MCE has been LTI free at its Henderson facility since May 2014 and has recorded a Group LTIFR of nil for the six months ended at 31 December 2017.

### Outlook

Matrix will continue to deliver on its stated strategy of expanding into new products and markets that leverage the Company’s strengths in engineered products, functional additives, and advanced materials. These products will be targeted at the Company’s four key markets of energy, resources, civil & infrastructure, and defence.

Mr Begley said: “In the energy space, we are continuing to pursue opportunities in SURF, LGS, and MaxR and are targeting a number of new projects to build on our momentum in 1H FY18.

“We are also experiencing a pick up in both the quality and quantity of quotations for oil and gas drilling projects after an extended period of low capital expenditure.

“In our growth markets we were last month awarded a three-year manufacturing agreement for the unique Tunnelwell® arch stormwater system, with an initial minimum order in excess of \$2 million, and also received a Letter of Intent from a bulk freight company for the development and manufacture of a unique composite bulk transport system, proposed at \$2 million.

“These projects are a significant development in our targeted expansion into the civil and infrastructure sector, where we see great potential in using Matrix’s leading composite material engineering capabilities to mass produce low weight, strong composite products that reduce operating costs and increase efficiencies for clients.

“Matrix remains well positioned to progress with its diversification strategy given the Company’s solid balance sheet that has \$10.5 million in net cash and no term debt.”

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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.