

2019 Full Year Results Presentation

MATRIX COMPOSITES & ENGINEERING LTD

Aaron Begley – Chief Executive Officer
Brendan Cocks – Chief Financial Officer

23 August 2019



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Overview



Financial

- FY19 revenue \$38.2m, up 95%.
- H2 FY19 EBITDA of \$0.8m, Matrix's best six month period since 2016.
- Results in line with guidance.
- Maintained net cash position of \$2.0m (31 Dec 2018: \$2.0m net cash), with no term debt.



Operating

- Trend of increasing project activity in the oil and gas market has been translating to orders.
- Delivering on diversification strategy, with production underway on Tunnelwell® arch stormwater systems under a five-year manufacturing partnership agreement.
- Started supplying materials to defence sector in FY19 - applying expertise in advanced materials and technology.



Outlook

- A \$25m order book, underwriting plant production into H2 FY19
- Entered FY20 with larger order book that start of FY19.
- Opportunity pipeline for award in H1 FY20 exceeds \$50 million.
- Industry backlog is building considerably.

Delivered on initiatives in FY19

Expectations for FY 19

Outcome

Improving outlook for oil & gas sector driving rise in quotations.



Awarded in excess of \$25m of work in year, including a \$15.3m contract that was Matrix's biggest riser buoyancy order in three years.

Sustained activity in unconventional onshore completions expected to drive volume for Matrix's MaxR™ range of well construction products .



North American sales increased with appointment of new distributors, tempered by recent drop in rig count in that region.

Manufacture of four prototype composite bulk transport systems to be completed in H2 CY19.



Established necessary infrastructure and tooling required to complete the initial prototypes under a \$2.4 million contract.

Tunnelwell® arch stormwater systems – commence production under 5 year agreement.



Roto-moulding system commissioned and entered production in Q4 FY19 after receiving tooling.

Pursue new opportunities in the defence sector.



Formal collaborative agreement to develop new materials with Defence Science & Technology group; established long-term relationship with Thales for tailored syntactics; growing interest in hyperbaric testing with Australian defence primes.

Forecast revenue growth for FY19.



Growth in revenue to \$38.2m, a near doubling over FY18 and in line with guidance of \$37.5m - \$38.5m.

FY2019 Financial Results

CFO – BRENDAN COCKS



Key financial metrics

		FY19	FY18
Revenue	\$m	38.2	19.5
EBITDA	\$m	(1.1)	(7.0)
Underlying EBITDA ¹	\$m	(0.9)	(7.9)
Net profit/(loss) after tax	\$m	(8.7)	(15.4)
Earnings per share	¢	(8.8)	(16.4)
Dividends per share	¢	nil	nil
Operating cash flow	\$m	(3.6)	(4.4)
		30 Jun 2019	31 Dec 2018
Gross cash	\$m	9.4	14.5
Net cash/(debt) ¹	\$m	2.0	2.0
Employees		140	108
Order book	\$A	25	37

- Strong revenue growth in FY19, driven primarily from oil and gas work.
- Positive EBITDA of \$0.8m in H2 FY19 after breakeven EBITDA result in 2Q FY19.
- Underlying EBITDA removes \$0.14m foreign exchange loss (1H FY18: \$0.95m gain).
- Retain casual labour options in headcount.
- Order book includes:
 - A\$5m riser buoyancy order for a new build.
 - Remainder of riser buoyancy (for second drill ship) under A\$23m order that was deferred in June 2017.

Note: figures may not add up due to rounding.

¹ As in prior years, Underlying EBITDA excludes foreign exchange losses and non-recurring costs

² Net Cash comprises Cash less Financial Debt and Progress Claims and Deposits



Balance sheet

\$m	30 Jun 19	31 Dec 18	30 Jun 18
Cash	9.4	14.5	10.6
Trade and other receivables	8.3	7.6	5.4
Inventory	9.8	8.9	7.8
Property, plant & equipment	65.2	67.1	69.8
Intangible assets	2.7	2.6	2.6
Deferred tax asset	12.6	12.6	12.6
Other assets	0.4	0.7	0.5
Total Assets	108.2	114.0	109.2
Trade payables	6.5	4.2	4.2
Progress billing	0.1	4.7	0.6
Financial liabilities	7.3	7.8	4.0
Provisions	1.3	1.1	1.0
Total Equity	93.0	96.2	99.4
Net cash/(debt) ¹	2.0	2.0	6.0
Net working capital	8.4	7.6	8.4

- Expansion in trade receivables, inventories, and payables throughout FY19 and draw down on cash reflects increase in work during the year.
- Delivery of large A\$15m Diamond Offshore order in late June 19 with 35% (~A\$5.5m) of project revenue to be paid in Sept 19 quarter.
- Appointed Colliers International – Currently running process for potential sale and leaseback of Henderson property (sale of long term ground lease and buildings).
- Continue to hold no term debt.

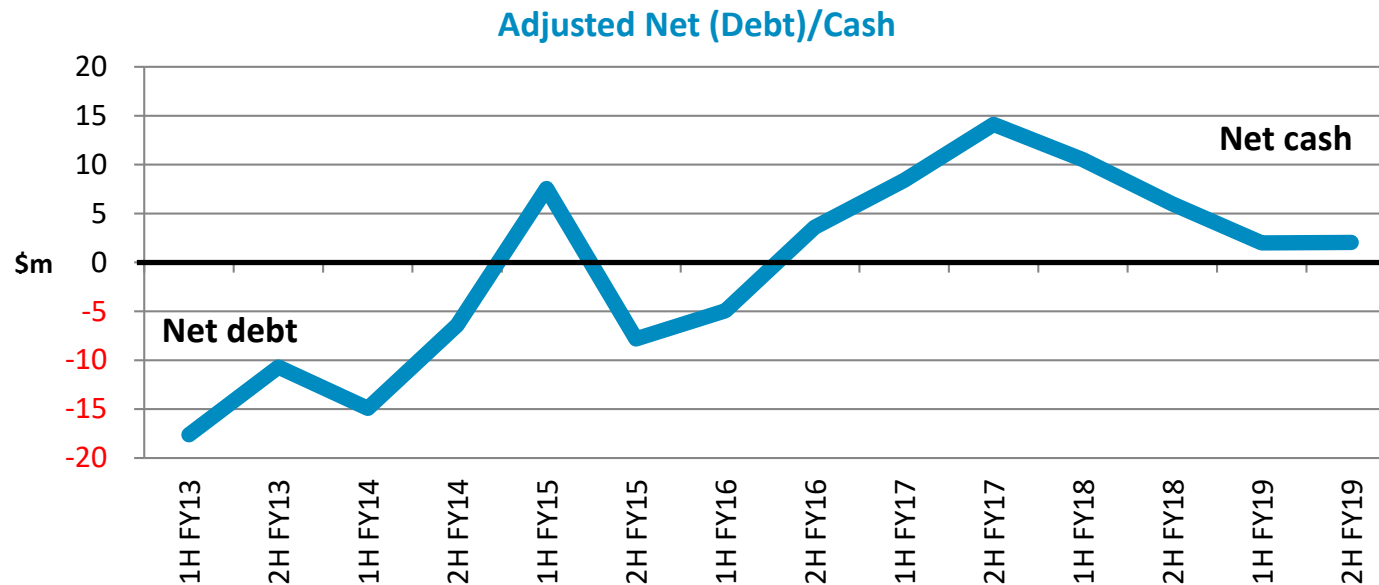
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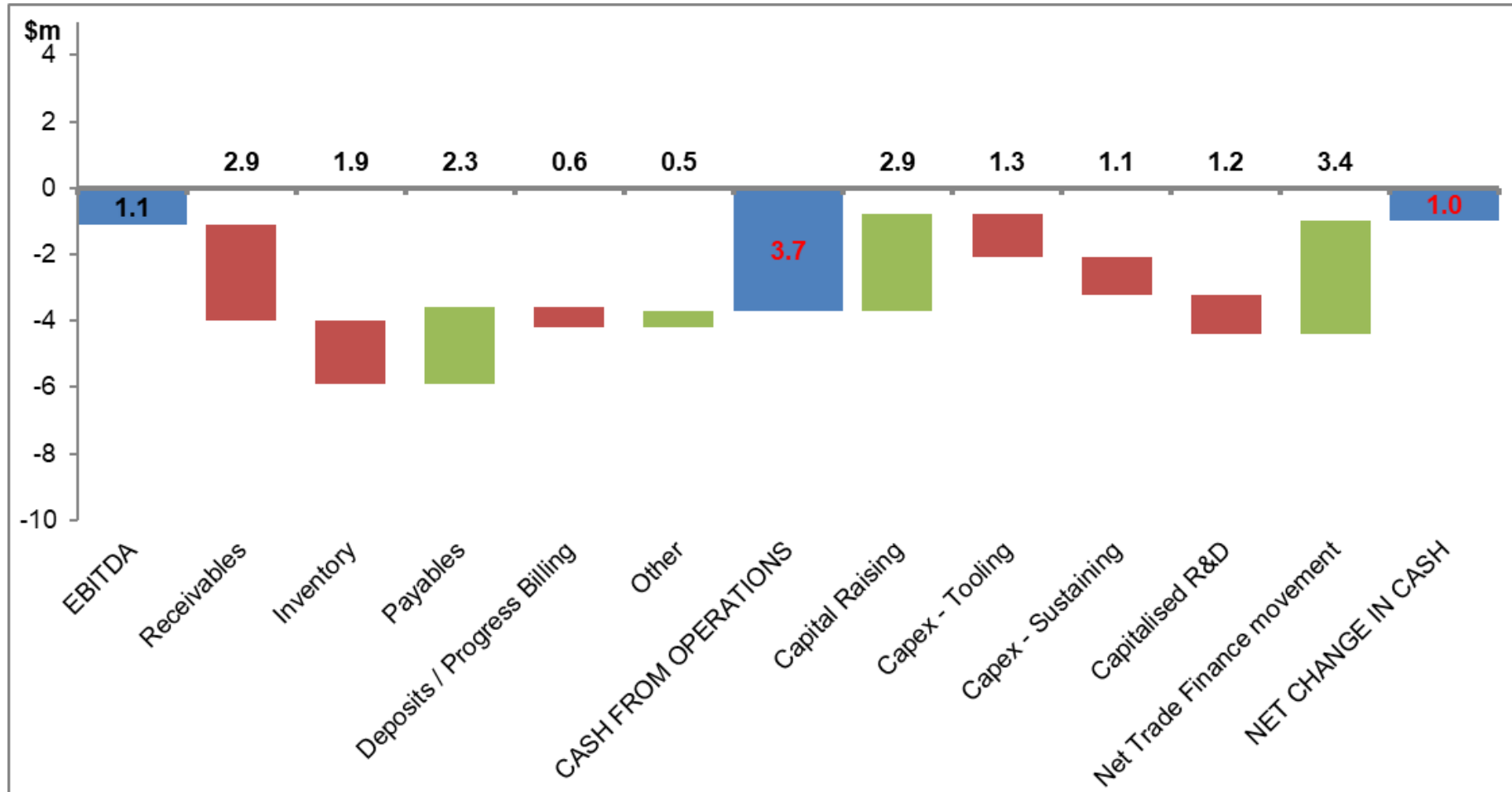
Debt and banking

- Progress claims unwound during H2 FY19, reflecting delivery of Diamond contract in June.
- Continued to utilise trade finance facility to support working capital position during the period.
- Retained net cash position and solid balance sheet to enable Matrix to pursue growth opportunities.

\$m	30 Jun 2019	31 Dec 2018
Cash	9.4	14.5
Term debt	-	-
Trade finance debt	(7.3)	(7.8)
Net cash / debt	2.1	6.7
Adjustments:		
Progress claims and deposits	(0.1)	(4.7)
Adjusted net cash/(debt)	2.0	2.0



Cash flow from operations

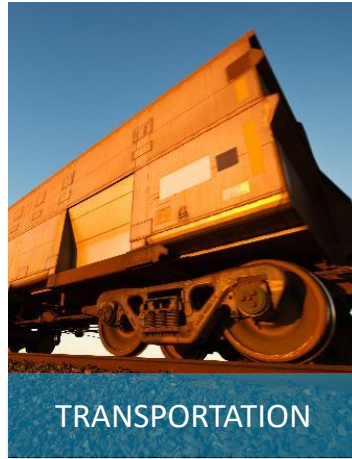
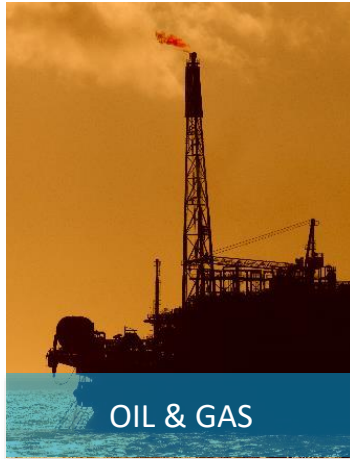


- Funds used for busy production schedule in H2 leading to delivery of large order in late June.
- Investing activities included project tooling, sustaining capex, and R&D activities targeting diversification activities.

Growth strategy and outlook

CEO – AARON BEGLEY

Business structure targeting growth



UNDERPINNED BY
CORE CAPABILITIES
AND ASSETS IN:



AUSTRALIA'S MOST
ADVANCED
COMPOSITE
MANUFACTURING
FACILITY



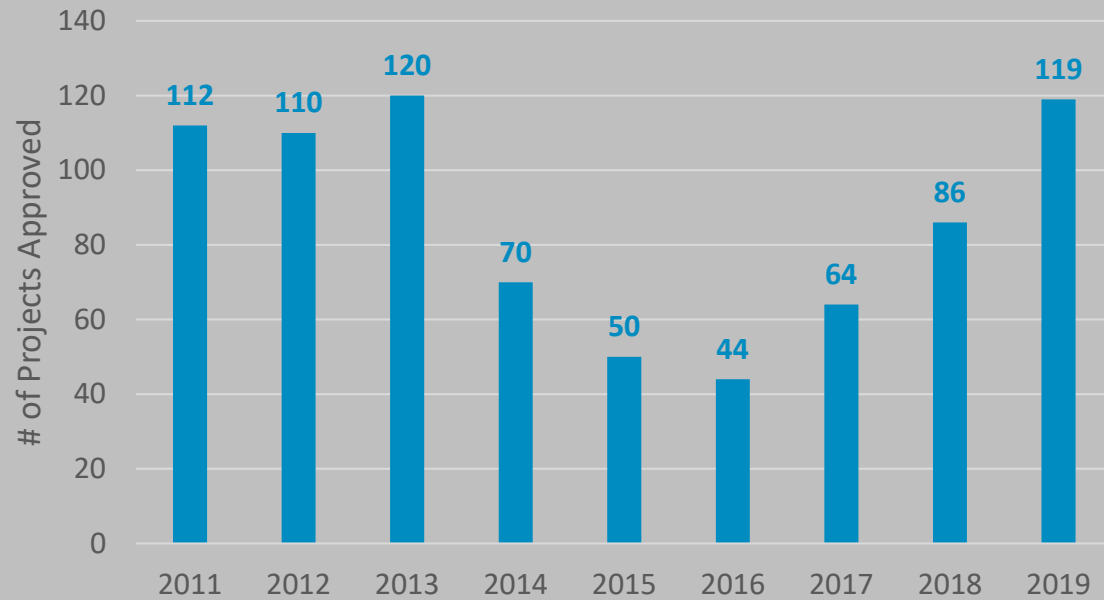
INTELLECTUAL
PROPERTY



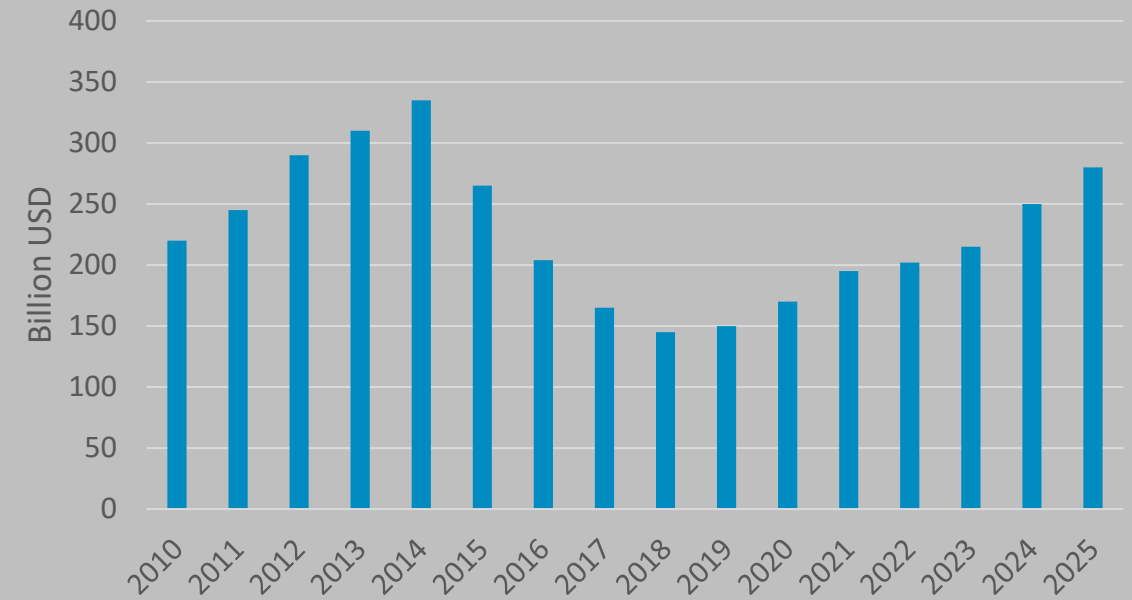
ADVANCED
MATERIALS AND
TECHNOLOGIES

Oil & Gas – market indicators remain positive

OFFSHORE PROJECT APPROVALS ARE INCREASING



OFFSHORE SPENDING SET FOR STRONG GROWTH



Source: Rystad Energy, Clarkson Platou Securities AS

Oil & Gas operations

RISER BUOYANCY

- Historically Matrix's primary product – used in deepwater drilling operations and had been impacted by a sustained period of low capex.
- In Nov 2018, secured biggest riser buoyancy contract in three years, valued at \$15.3m.

WELL CONSTRUCTION

- Maturing product range with distribution in North America continuing to expand, although recent rig count drop in the region.
- Continued technical development in 2019 with new product releases in 2020.

SURF

- Sustained increase in offshore project activity, both in Australia and target export markets, providing opportunities to bid for new work.
- 2021 SURF market expected to grow substantially due to growth in offshore Final Investment Decisions (FIDs).

LGS (VIV & DRAG SUPPRESSION)

- Targeting brownfields and greenfield offshore application.
- Expanded applications across drilling risers, pipelines and production risers.
- Opportunities increasing as offshore drilling activity increases and as cashflows for public E&P companies continue to improve.

Diversified operations

TRANSPORTATION

- Establish necessary infrastructure and tooling required for initial prototypes under \$2.4m contract for four prototype advanced composite material bulk transport systems.
- Project currently in design review awaiting the next stages of development
- Vehicle lightening to maximise payload capacity provides a major growth market for composites.

CIVIL & INFRASTRUCTURE

- Recently entered production of the unique Tunnelwell® arch stormwater systems being produced under a five-year manufacturing partnership agreement.
- Initial minimum order of +\$2m over 24 months.
- Tunnelwell® production started in Q4 2019.
- Product launch planned with production expected to increase over the course of 2020.
- Targets growing infrastructure market.

DEFENCE

- Applying expertise in advanced materials and technology to develop products applicable to new build and sustainment programs (e.g. anechoic coatings, buoyant materials and structural work).
- Strong interest in Matrix hyperbaric test facilities as sovereign industry capability.
- Establishment of long-term relationship with leading Australian defence prime – Thales.

RESOURCES

- Ongoing focus to leverage transport opportunities in large composite structures and capability, and to apply to resource sector.
- Development and opening of large composite workshop (see following slide).



Official opening of expanded Henderson facility



- In July 2019, Matrix welcomed The Honourable Kim Beazley AC, Governor of Western Australia to officially open the company's expanded Henderson facility.
- Followed \$2.2 million investment over 18 months to upgrade its Henderson facility with the construction of a new large composite workshop and installation of a roto moulding machine.
- Governor Beazley also visited Matrix's hydrostatic testing area, which is used to simulate deepwater environments to 5,300 metres and has growing applications in the defence sector.

Outlook

- Offshore exploration must increase as industry is replacing extracted oil & gas at historic lows.
- Underpinned by offshore FIDs which have increased from 44 in 2016 to 119 in 2019, resulting in substantial backorders with EPIC contractors.
- \$25 million order book across oil and gas market contracts plus projects won under the Company's diversification strategy underwrites plant production at the Company's Henderson facility into H2 FY20.
- Commencing FY20 with a larger order book than start of FY19, reflecting improving industry conditions.
- Actively bidding on a strong pipeline of new work across all divisions:
 - In excess of \$50 million in competitive tenders that are expected to be awarded by the end of H1 FY20.
 - Substantial tender pipeline beyond these near-term orders for traditional riser buoyancy and SURF products generated by growth in offshore FIDS, and active pursuit of opportunities in defence, civil & infrastructure and transport sectors.
- Solid financial position with net cash and no term debt that ensures Matrix is well placed to win and deliver on future orders.

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