



# 2018 Full Year Results Presentation

MATRIX COMPOSITES & ENGINEERING

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23 August 2018



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# Overview

## Financial

- Results in line with FY18 update on 6 August 2018.
- Revenue \$19.5m and EBITDA loss \$7.0m.
- Revenue and earnings impacted by deferrals in the award of new oil and gas contracts, and revenue from civil and infrastructure projects moving into FY19.
- Ended FY18 with gross cash position of \$10.6m and project debt of \$4.0m.

## Operating

- Rise in industry activity and quotations for SURF, drilling, and well construction products driven by improving oil and gas sector.
- Awarded \$2.4m contract to develop and manufacture four prototype composite bulk transport systems.
- Installed roto-molding system to start manufacturing Tunnelwell® arched stormwater systems under initial \$2m order.
- Continued excellent safety record – no LTI's since May 2014.

## Outlook

- Forecast revenue growth for FY19.
- \$26m of manufacturing work already locked away for the next 18 months.
- Expect growth for our MaxR® range of centralisers.
- Improving outlook for oil and gas sector and growth opportunities under diversification strategy, particularly in civil and infrastructure and defence sectors.

# Delivering against strategic priorities

FY18 priority		Status
Expand into new products and markets away from the cyclical oil & gas growth capex products.	✓	FY18 oil and gas project revenue was largely from production, maintenance, and rectification projects.
Continue commercialisation of LGS™ in the Energy and Defence markets.	✓	\$4m LGS® project at a WA offshore pipeline during FY18 and completion of Gulf of Mexico test.
Ongoing expansion of SURF for tie-backs, brownfields, and infield developments and IMR.	✓	SURF substantial component of FY18 oil and gas revenue.
Advancing products and services outside of energy sector in field of advanced materials.	✓	\$2.4m composite bulk transport systems contract. \$2m arched stormwater systems contract.
Ongoing R&D to identify further applications using existing facility and capability.	✓	Adapting advanced materials to designs for defence and transport applications.

LGS is a registered trademark of AMOG Technologies Pty Ltd. Matrix has the exclusive world-wide licence to commercialise LGS.



# FY2018 Financial Results

CFO – BRENDAN COCKS

# Key financial metrics

		FY18	FY17
Revenue	\$m	19.5	33.1
EBITDA	\$m	(7.0)	(15.6)
Net profit/(loss) after tax	\$m	(15.4)	(19.5)
Earnings per share	¢	(16.4)	(20.8)
Dividends per share	¢	nil	nil
		30 Jun 2018	31 Dec 2017
Gross cash	\$m	10.6	11.6
Net (debt)/cash <sup>1</sup>	\$m	6.6	11.1
Employees		80	74
Order book	US\$m	17	19

- Revenue and earnings impacted by deferrals in the award of new oil and gas contracts.
- Also revenue from civil and infrastructure projects expected in H2 moved into FY19.
- FY18 EBITDA includes \$1m foreign exchange gain (FY17: \$1.5m loss).
- Order book now US\$19m at 22 August 2018 following new awards in FY19:
  - A\$2.4m bulk transport system contract.
  - A further A\$1m new riser buoyancy order.

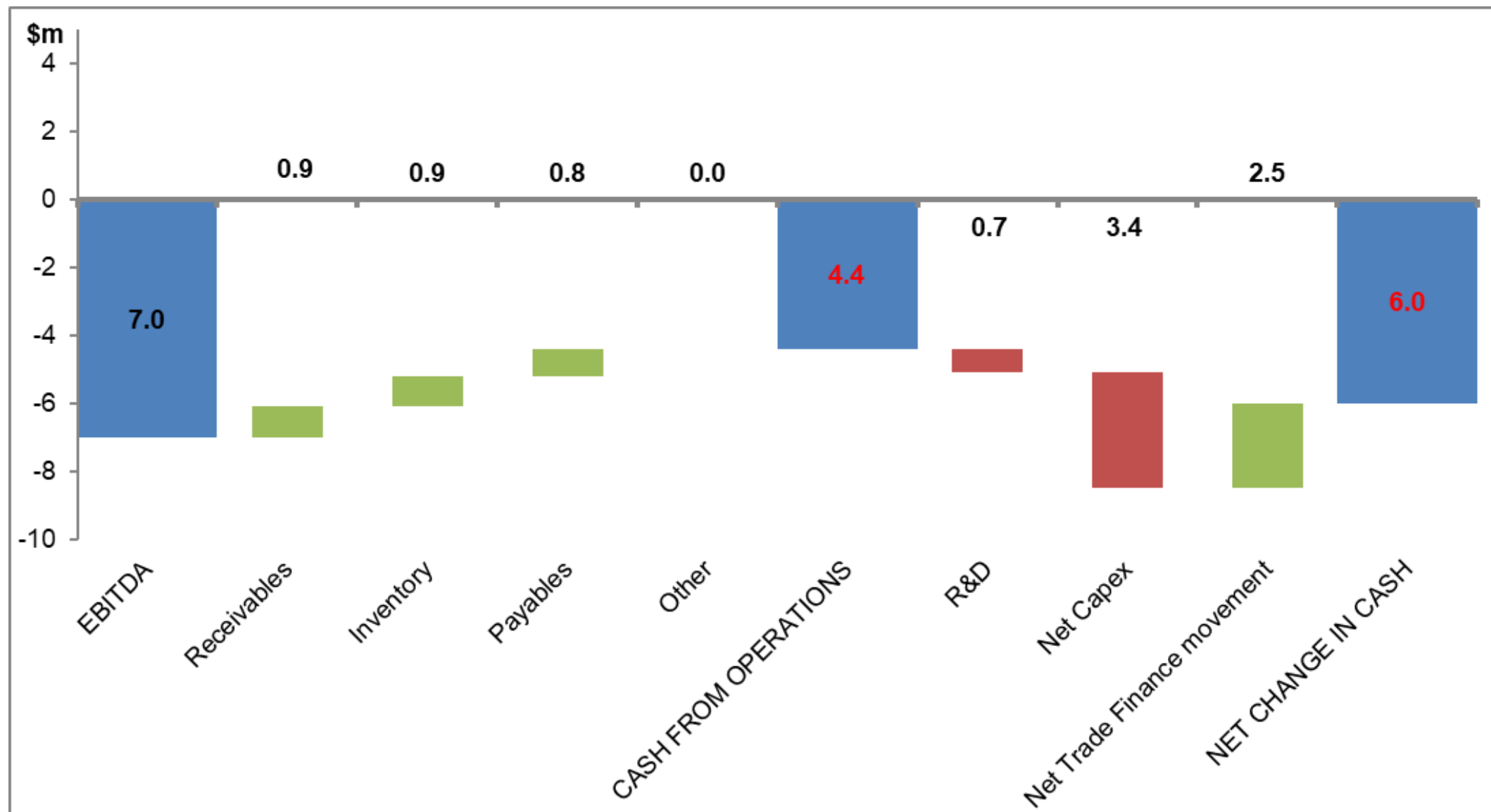
# Balance sheet

\$m	30 Jun 18	31 Dec 17	30 Jun 17
Cash	10.6	11.6	16.6
Trade and other receivables	5.4	10.1	6.4
Inventory	7.8	7.9	8.7
Property, plant & equipment	69.8	71.4	73.7
Intangible assets	2.6	2.6	2.8
Deferred tax asset	12.6	12.6	12.6
Other assets	0.5	0.7	0.4
<b>Total Assets</b>	<b>109.2</b>	<b>116.9</b>	<b>121.2</b>
Trade payables	4.2	6.3	3.0
Progress billing	0.6	0.6	1.0
Financial liabilities	4.0	0.5	1.5
Provisions	1.0	(1.0)	0.9
<b>Total Equity</b>	<b>99.4</b>	<b>110.5</b>	<b>114.8</b>
Net cash/(debt)	6.6	10.5	14.1
Net working capital	8.4	11.1	11.1

- Maintained solid cash at bank position, with reduction reflecting operating loss and investment in growth initiatives.
- Trade receivables and payables returned to 30 Jun 17 level after increase at 31 Dec 17 with higher work in progress in Q2 FY18.
- Utilised \$3.8m in trade finance under \$10m multi option facility to fund projects.
- Continue to hold no term debt.



# Cash flow from operations



- Funded \$1.5m Roto Molding Machine installation (commissioning planned for Sept 18)
- Trade finance facility used to fund project related expenses during period



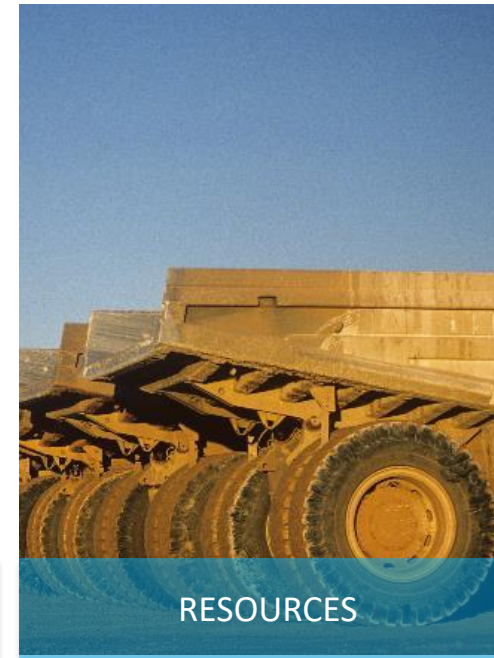
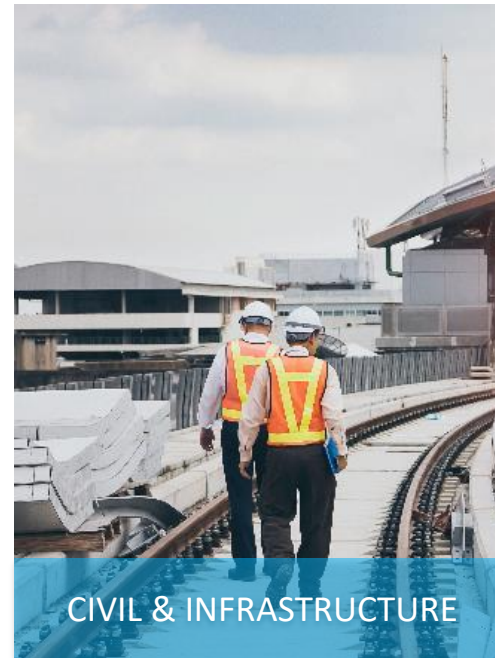
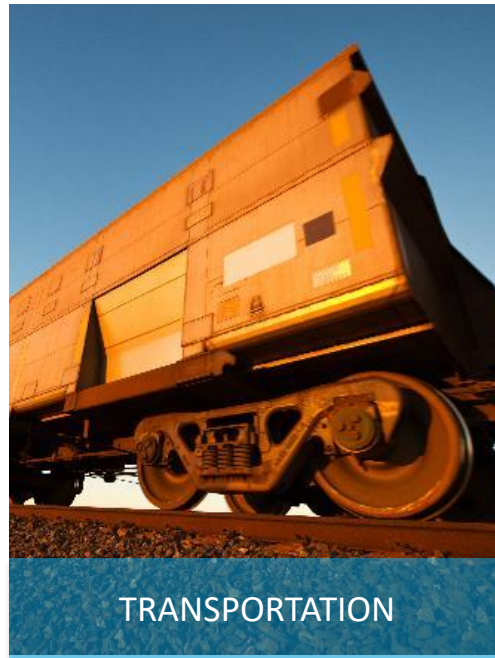
# Growth strategy and outlook

CEO – AARON BEGLEY



# Business structure targeting growth

- Matrix business structure targets growth opportunities in five key areas:



- These key areas utilise Matrix's existing core capabilities and assets in:
  - Advanced materials and technologies
  - Intellectual property
  - Australia's most advanced composite manufacturing facility

# Oil & Gas



## RISER BUOYANCY

- Historically Matrix's primary product – used in deepwater drilling operations and impacted by a sustained period of low capex, with low rig utilisation given subdued oil and gas prices.
- Rig utilisation has increased. Aftermarket showing signs of increased activity in enquiry levels and orders.
- Received orders for riser buoyancy in Q4 FY18, valued at approximately \$2m, and experiencing a rise in quotations.
- Production of a US\$17m riser buoyancy order that had been deferred in June 2017 now underway.



## WELL CONSTRUCTION

- Range of consumables used in shale and horizontal well production.
- Sustained activity in unconventional onshore completions driving ongoing demand.
- Increased market share in North American market due to establishment of new distribution strategy.
- Growth opportunities in the Middle Eastern market.

# Oil & Gas



## SURF (Subsea Umbilicals, Risers, and Flowlines)

- Delivered several SURF packages during the year including a distributed ballast system for the Greater Enfield Project.
- Quotations for SURF products have increased, underpinned by rise in industry activity. Several Australian projects have been announced with international and regional spend increasing.
  - Australia: Gorgon Stage Two – Chevron; Barossa Fields – ConocoPhillips
  - Floating Production Storage and Offloading (FPSO) market Final Investment Decisions (FID)

	Number of global FPSO awards
2016	0 (first time since 1985)
2017	8
2018	6
2019	13
2020	14

*Source: Floater contracts ready for surge – report, Upstream 1 August 2018*

- Positioning as regional APAC supplier of SURF.

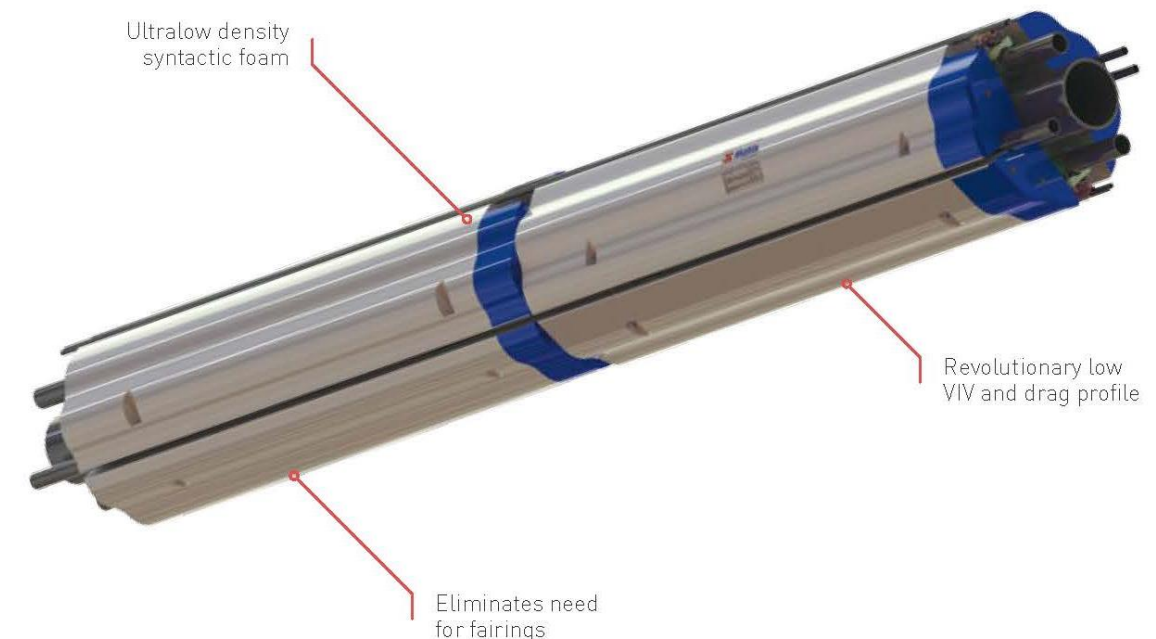


# Oil & Gas

**Matrix LGS®**

LGS (Longitudinal Groove System)

- System that reduces vortex induced vibration and drag in offshore projects, enhancing productivity.
- Delivered \$4m MarineShield LGS® project at a shallow water pipeline during FY18, outside of early target markets.
- Successfully completed trial of LGS® riser buoyancy string on a deepwater drill rig in Gulf of Mexico in H2 FY18, demonstrating efficacy of product.
- Matrix continuing to develop market for LGS® with its partners, AMOG, for brownfields and greenfield offshore application.



# Transport & Civil and Infrastructure

## TRANSPORT

- Awarded \$2.4m contract August 2018 to develop and manufacture four prototype advanced composite material bulk transport systems.
- Potential second stage to manufacture 110 systems.
- Leverages Matrix's expertise in advanced technologies to deliver lightweight composite structures across diverse industries.
- To be manufactured at Henderson facility, with initial stage expected to be completed in FY19.

## CIVIL & INFRASTRUCTURE

- Manufacturing partnership agreement for the unique Tunnelwell® arch stormwater system extended from 3 years to 5 years.
- Initial minimum order in excess of \$2m over 24 months, commencing October 2018.
- State of the art roto-moulding system now installed.



# Resources and Defence

## RESOURCES

- Leverage transport opportunities in large composite structures and capability, and apply to the resource sector.

## DEFENCE

- Signed MoU with BAE Systems to be its composites partner on defence projects.
- Follows the recent award to BAE Systems of a \$35 billion contract to produce nine future frigates for the Royal Australian Navy.
- Matrix continues to foster relationships with Australian and International defence prime contractors (e.g. working with Thales to adapt advanced materials to designs for defence applications).

## OTHER

- Continue to use strong R&D capabilities to develop solutions across all five target markets that utilise Matrix's proven expertise in advanced materials and technologies.

# Outlook

- Improving outlook for the oil & gas sector so far in CY18 driving a rise in quotations for oil and gas production, maintenance and rectification jobs following new orders in Q4 FY18.
- Sustained activity in unconventional onshore completions expected to drive volume for Matrix's MaxR® range of well construction products during FY19.
- \$2.4m contract to manufacture four prototype composite bulk transport systems to be completed in H2 CY19, with a potential second stage to manufacture 110 systems.
- Five year manufacturing partnership agreement to manufacture Tunnelwell® arch stormwater systems, with initial orders for at least \$2m to commence production in October 2018.
- Pursuing additional, tangible growth opportunities in the transportation, civil and infrastructure and defence sectors under Matrix's diversification strategy.
- Circa \$26m of manufacturing work locked away for the next 18 months under projects secured across a range of oil and gas, transportation, and infrastructure clients.
- Forecast revenue growth in FY19.



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