



# 2017 Full Year Results Presentation

MATRIX COMPOSITES & ENGINEERING

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# Overview

## Financial

- Underlying EBITDA<sup>1</sup> loss of \$4.4m, in line with guidance.
- Strong cash flow from operations of \$11.4m.
- Ended year in a strong net cash position of \$14.1m, well positioning Matrix to pursue its diversification strategy.
- No term debt.
- Fixed costs reduced to reflect market conditions.

## Operating

- Maintained excellent safety record – no LTI's for the period.
- Established a project-based production profile for buoyancy without compromising Matrix's ability to meet demand profile.
- Excess plant and personnel capacity re-tasked to produce growth products.

## Outlook

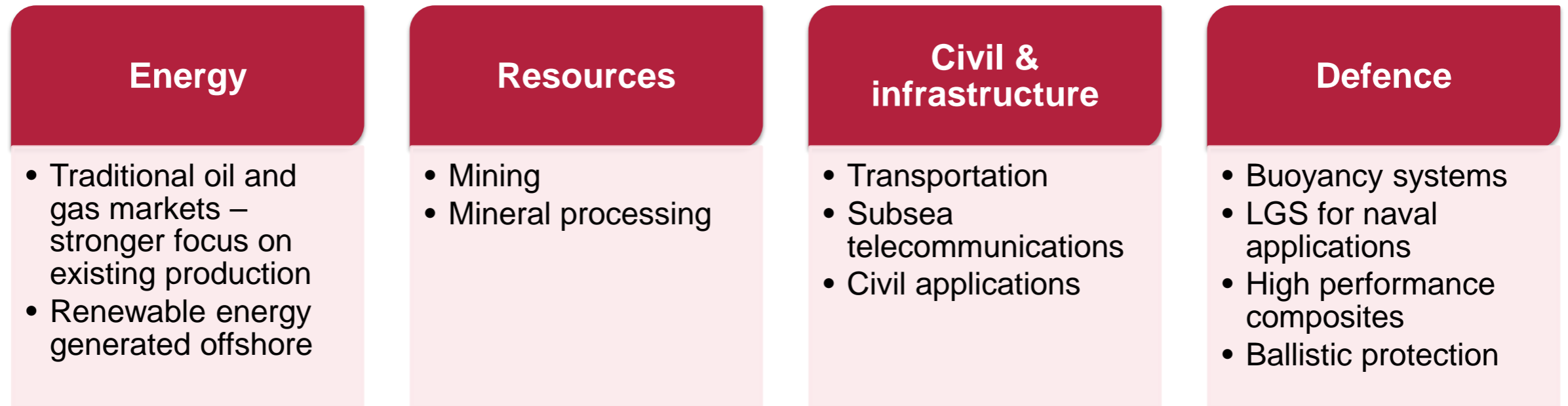
- Advancing with diversification strategy aimed at delivering sustainable revenue growth across the business.
- Recent c.\$5m in contract wins demonstrates early success.
- Further refined business structure to target four strategic areas – Energy, Resources, Civil & Infrastructure, and Defence.
- Growth products and services all developed to utilise Matrix's core capabilities.

# Delivered against strategic priorities

FY17 priority	Status
Review cost base and output to align the business with market demand.	✓ Restructured business to better align costs with demand profile. Moved to project-based production.
Diversify the business by expanding into non oil and gas markets.	✓ Developed business structure and products to service key markets of Energy, Resources, Civil & Infrastructure, and Defence.
Maintain strong R&D focus to support diversification of technologies into new markets.	✓ New products developed including Paragon™, Kinetica™, and LiCos™.
Geographic expansion into well construction growth markets.	✓ Sales growth continued in Asia. US office expanded to support expanded product range. Technical support increased in Australia.
LGS™ positioned to reduce drilling costs and provide technological advantages.	✓ Expanded applicability into existing subsea structures, evidenced by contract win. Second system deployed in Gulf of Mexico.

# New business structure targeting growth

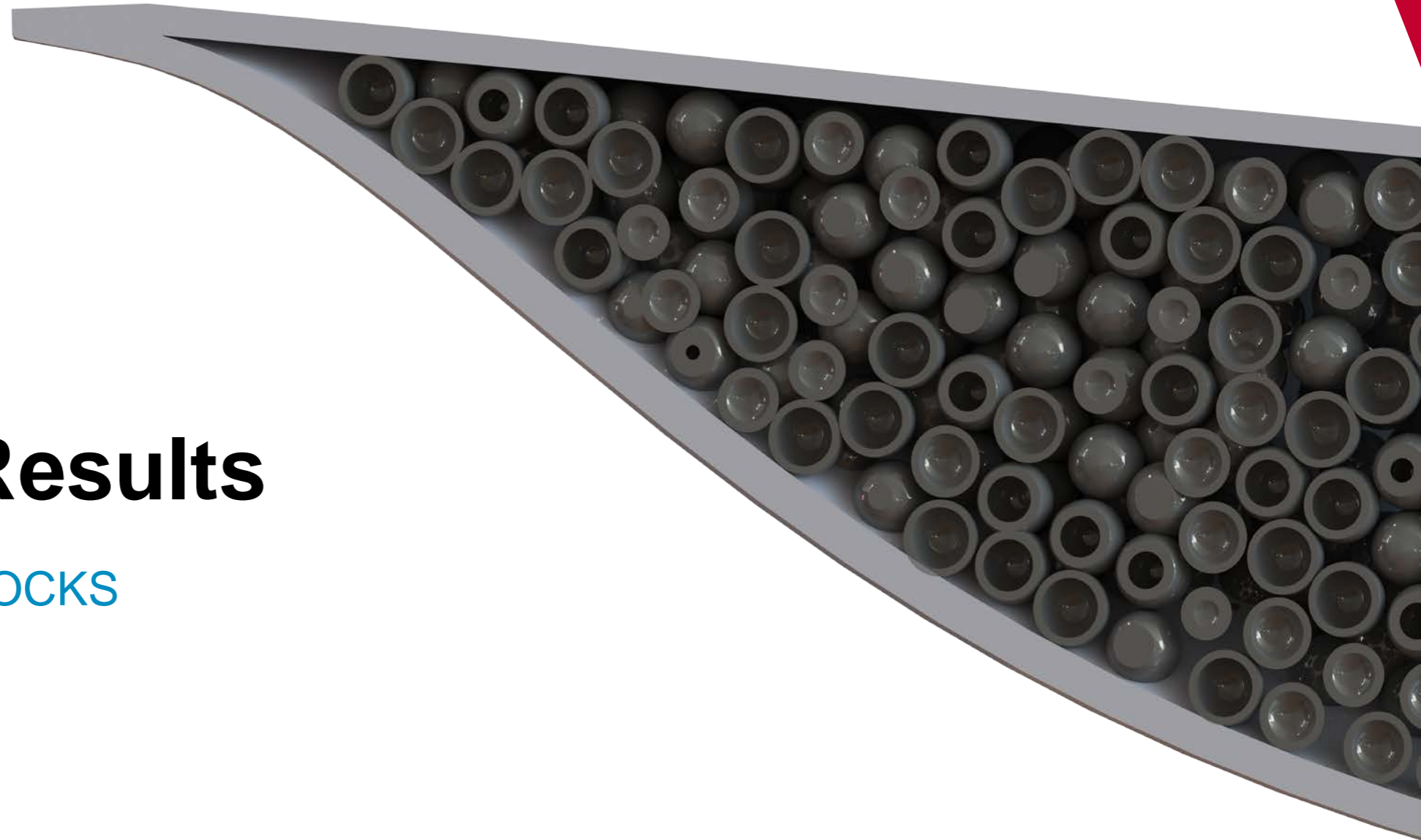
- Matrix has developed a new business structure targeting growth opportunities in four key areas:



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

# FY2017 Financial Results

CFO – BRENDAN COCKS



# Key financial metrics

		FY17	FY16
Revenue	\$m	33.1	95.7
EBITDA	\$m	(15.6)	6.4
Underlying EBITDA <sup>1</sup>	\$m	(4.4)	11.3
Net profit/(loss) after tax	\$m	(19.5)	(2.1)
Earnings per share	¢	(20.8)	(2.2)
Dividends per share	¢	nil	nil
Operating cash flow	\$m	11.4	2.8
		<b>30 Jun 2017</b>	<b>30 Jun 2016</b>
Gross debt	\$m	(1.5)	(3.4)
Adjusted net (debt)/cash	\$m	14.1	3.6
Employees		68	149
Order book	US\$m	18	46

- Revenue and earnings impacted by subdued oil and gas prices throughout the year, affecting demand for riser buoyancy products.
- NPAT also affected by non-recurring costs, including goodwill write off reported in H1 FY17 and restructuring charges.
- Positive operating cash flow and increased net cash position.
- Order book of US\$18 million at 30 June 2017 – majority relates to FY19/20 following client deferral announced on 23 June 2017.

# Underlying EBITDA

\$m	FY17	FY16
Statutory EBITDA	(15.6)	6.4
Loss on disposal of property	-	0.7
Non cash impairment charge	6.4	-
Exit of Leased premises (termination & make good)	1.3	-
Redundancy costs	2.0	2.0
Insurance adjustment	-	0.6
Inventory written off	-	0.4
Other	-	0.1
Foreign exchange loss/(gain)	1.5	1.1
<b>Underlying EBITDA<sup>1</sup></b>	<b>(4.4)</b>	<b>11.3</b>

- Impairment charge of \$6.4m accounted for in H1 FY17 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 business was right sized to market demand) and foreign exchange losses.
- Exited leased properties in Malaga, Karratha, and Houston (USA) to reduce fixed cost base.



# Balance sheet

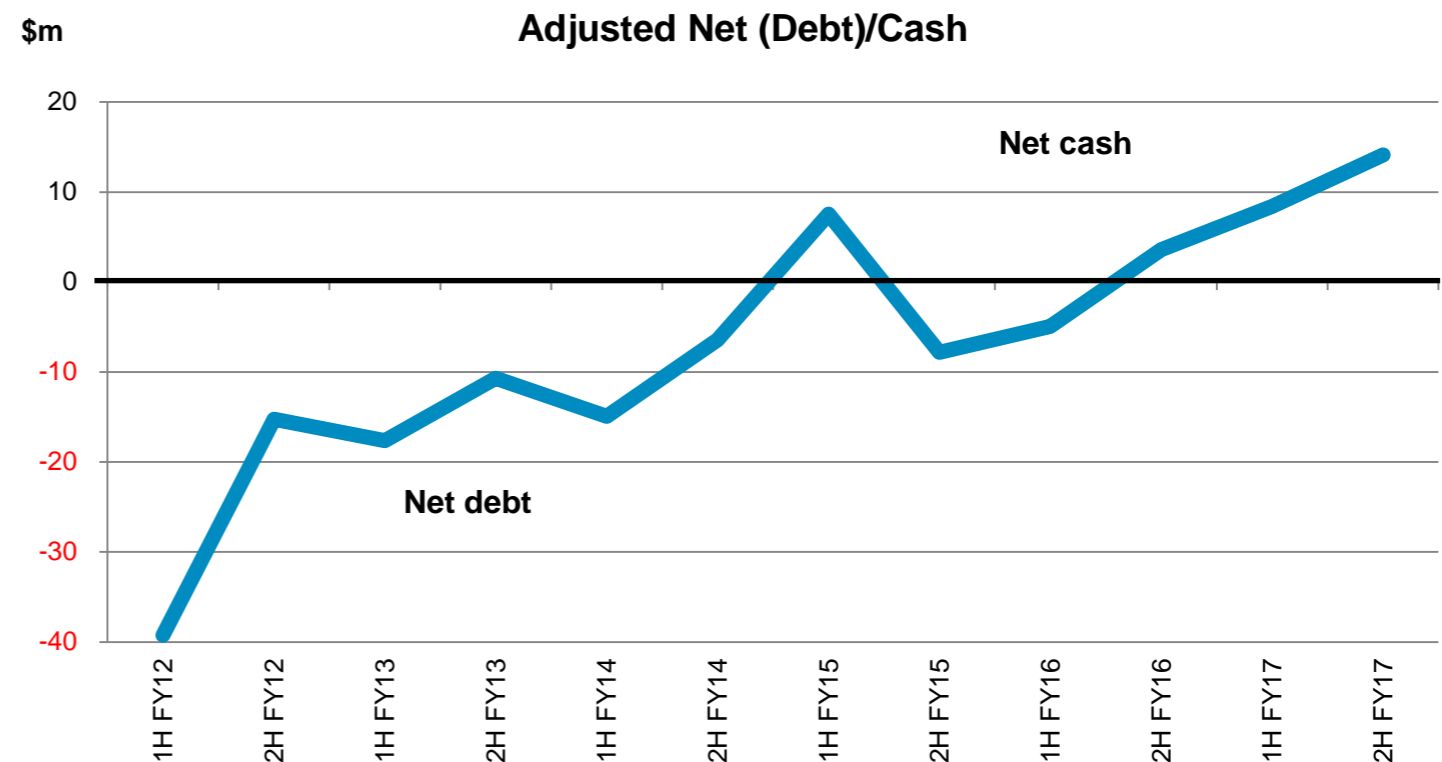
\$m	30 Jun 17	31 Dec 16	30 Jun 16
Cash	16.6	14.3	8.4
Trade and other receivables	6.4	19.5	26.9
Inventory	8.7	8.6	10.6
Property, plant & equipment	73.7	77.5	81.7
Intangible Assets	2.8	2.8	9.0
Deferred tax (net)	12.6	9.1	6.9
Other assets	0.4	0.5	0.8
<b>Total Assets</b>	<b>121.2</b>	<b>132.3</b>	<b>144.3</b>
Trade payables	3.0	3.4	4.4
Progress billing	1.0	2.1	1.9
Financial liabilities	1.5	3.9	3.4
Provisions	0.9	1.7	1.2
<b>Total Equity</b>	<b>114.8</b>	<b>121.2</b>	<b>133.4</b>
Adjusted net cash/(debt)	14.1	8.4	3.6
Net working capital	11.1	22.6	31.3

- Further strengthened net cash position to \$14.1m.
- Working capital has continued to be managed down in response to lower production volumes, supporting net cash position.
- Continued to maintain modest level of liabilities.

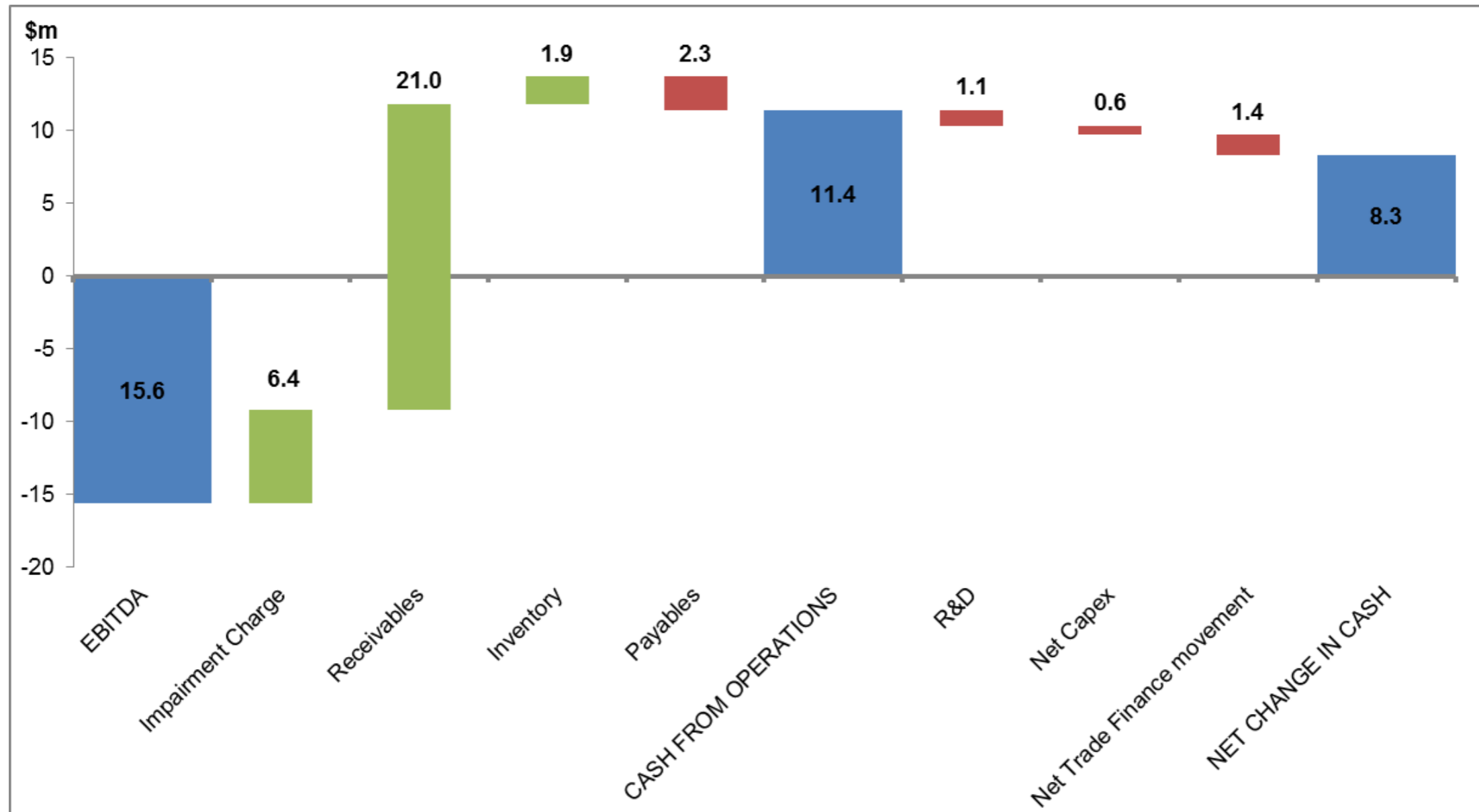
# Debt and banking

- Continued trend of transition from net debt to net cash.
- Have reduced use of trade finance facility due to high cash levels.
- Providing balance sheet strength to pursue growth opportunities.

\$m	FY17	FY16
Cash	16.6	8.4
Progress claims and deposits	(1.0)	(1.9)
Term debt	-	-
Trade finance debt	(1.5)	(2.9)
Adjusted net cash/(debt)	14.1	3.6



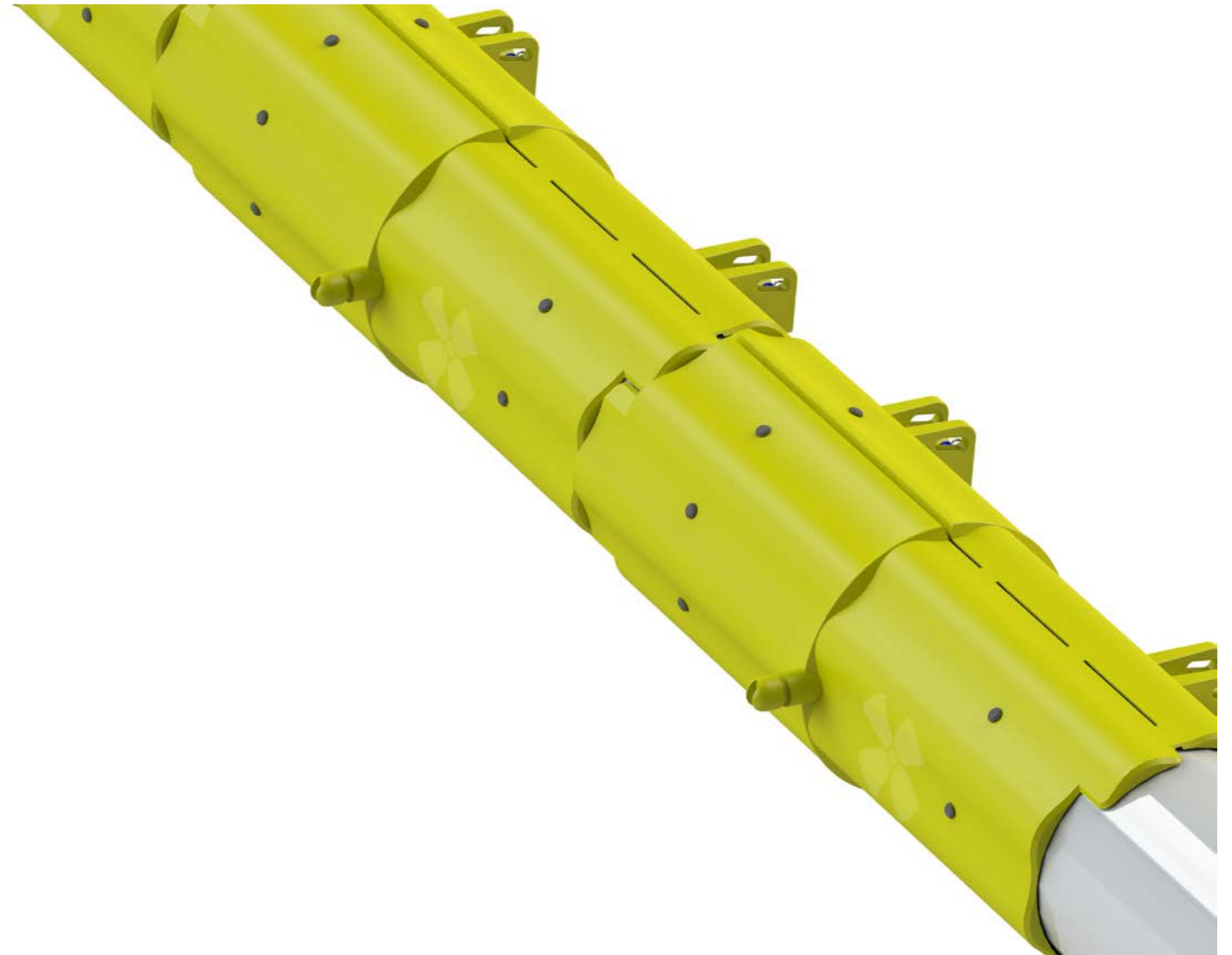
# Cash flow from operations











- Cash generated from collecting outstanding and due trade debtors from FY16 including US\$9.8m debtor receipt in Q4 FY17.
- Reduction in inventory and payables to reflect current work loads.

# Growth strategy and outlook

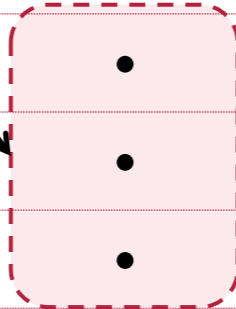
CEO – AARON BEGLEY



# New business structure, with range of products and services targeting growth

	Energy	Resources	Civil & Infrastructure	Defence
<b>Traditional Products</b>				
▶ Riser Buoyancy 	•			•
▶ SURF 	•		•	
▶ MaxR™ 	•			
<b>Growth Products</b>				
▶ Matrix LGS™ 	•			•
▶ Paragon™ 	•	•	•	•
▶ Kinetica™ 	•	•	•	•
▶ Ballistic™ 	•			
▶ LiCos™ 		•	•	
▶ Cetrafoam™	•			•
▶ Other R&D Products	•	•	•	•

Historic business



# Traditional products



**Product:** Riser buoyancy

**Markets:** Energy, Defence

- A number of material active tenders outstanding but opportunities may be delayed due to capex restrictions in the current oil price environment.
- New orders dependent on an uplift in the oil and gas price to trigger drilling contractors to build new rigs.



**Product:** SURF and Subsea

**Markets:** Energy, Civil & Infrastructure

- Growing market in tie-backs, brownfields and infield developments and IMR (Inspection, Maintenance and Repair) opportunities in Australia and globally.
- Awarded SURF ancillaries contract from major international EPIC contractor for SURF equipment.
- Ongoing qualification of API 17L approved buoyancy products and expansion of range.



# Traditional products



**Product:** Centralisers

**Markets:** Energy

- Strong demand for well construction products, particularly in North America where we have increased our presence and range.
- Growth in Asia with potential opportunities in the Middle East.



# Growth products and services

**Matrix LGS™**

**Product:** LGS™

**Markets:** Energy, Defence

- Recent award of c.\$3m contract for a shallow water pipeline application, outside of early target markets.
- Second system deployed and electronically monitored in the Gulf of Mexico (see picture), to deliver test results later in CY17.



**PARAGON™**  
EPOXY RESINS

**Product:** Paragon™

**Markets:** Energy, Resources, Civil & Infrastructure, Defence

- Epoxy resin systems for use in the minerals processing, and civil and infrastructure sectors.
- A number of major mining operators including Rio Tinto and Newcrest have successfully trialled and approved the product.
- Product range rollout is ongoing.
- Paragon is marketed as a distinct and individual brand highlighting low hazard, high performance attributes.





# Growth products and services



**Product:** Kinetica™

**Markets:** Energy, Resources, Civil & Infrastructure, Defence

- Delivered +100m<sup>3</sup> of various Kinetica forms, including energy absorbing grades for crash barriers, shock absorbing grades for underground mining and tailored strength structural stock shapes.
- More than \$30m of opportunities identified and quoted on.
- Blast protection systems utilizing Kinetica under development for sea and land defence applications.



**Product:** LiCos™

**Markets:** Resources, Civil & Infrastructure

- Reduces concrete densities by at least 30% whilst maintaining the compressive strength of traditional concrete.
- Main applications in pre-cast and bulk concrete, displacing aggregate.
- Undergoing testing in FY18.



# Growth products and services



**Product:** Ballistic

**Markets:** Energy

- Range of cost effective cementing and casing equipment and tools.
- Particularly suited for on-shore oil & gas drilling projects.
- Targets the +\$400m North American cementing and ancillaries market.



**Product:** Other R&D products

**Markets:** Energy, Resources, Civil & Infrastructure, Defence

- Continue to use proven R&D capacities in product development and advanced manufacturing to develop, test, and market products and services that address gaps in the market.
- These will focus on utilising Matrix's advanced materials and technologies, and leading manufacturing facility.
- Examples include Cetrafoam™.

# Strategic priorities for FY18

- 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.
- Continue commercialisation of LGS in the Energy and Defence markets, targeting further orders of LGS applications in FY18.
- Ongoing expansion of SURF for tie-backs, brownfields, and infield developments and IMR.
- Full commercialisation of Paragon, with a full suite of products available in the market through our distributor supply chain.
- Continue to market and source orders for Kinetica product applications, with a focus on growing the number and size of orders.
- Ongoing R&D to support new initiatives such as LiCos, and identify further applications using existing facility and capability.
- FY18 earnings expected 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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