

18 November 2020

ASX Release

Matrix Composites and Engineering Ltd (Matrix)

(ASX: MCE)

AGM Addresses

The following addresses will be delivered today at the 2020 Annual General Meeting:

- Chairperson's Address – Mr Peter Hood AO
- CEO's Presentation – Mr Aaron Begley

Authorized for release by Julie Jones, Joint Company Secretary.

For further information, please contact:

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About Matrix Composites & Engineering

Matrix Composites & Engineering specialises in the design, engineering and manufacture of composite and advanced material technology solutions for the oil and gas, civil and infrastructure, resources, defence, and transportation industries. With more than 40 years-experience, Matrix has gained a reputation as an industry leader and has become a major exporter of Australian goods and services with customers located all over the world. From its award-winning head office in Australia and offices in the United states, and a global network, Matrix is uniquely positioned to deliver complete turnkey solutions offerings with localised customer support.

More information can be found at www.matrixengineered.com

MATRIX COMPOSITES & ENGINEERING LTD.

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ASX ANNOUNCEMENT

18 November 2020

Chairman's Statement 2020 Annual General Meeting

Ladies and Gentlemen, before commencing the formal business of today's meeting I would like to give you an overview of Matrix's performance and developments over the past 12 months and outline our strategy for the year ahead. Matrix's Chief Executive Officer Aaron Begley will then provide a more comprehensive presentation on our operations and strategic initiatives underway.

Matrix's performance in the 2020 financial year was a tale of two halves. In the first half of FY20 we doubled revenue compared to the prior corresponding half-year period and achieved positive underlying earnings. This result meant that, in calendar year 2019, Matrix recorded its first 12-month period of positive underlying earnings since 2016, driven by stronger activity for our traditional drilling riser buoyancy products. We also successfully grew other key oil and gas sector product and service offerings, such as shipping first orders of our MaxR™ well construction products into the Middle East and increasing orders for our innovative SURF products and services.

The second half of FY20 brought significant macroeconomic challenges that impacted Matrix. A depressed oil and gas price, driven by global oversupply which was exacerbated by the COVID-19 pandemic, led to a material slowdown in the sector. In Q4 FY20 especially we saw a slowdown in orders for our products and tender opportunities deferred, impacting our full year FY20 revenue and earnings results

The Board and Management team has taken steps to respond to these challenges. In particular, we are actively pivoting Matrix towards brownfields project maintenance and sustainment for the Australian LNG market and other sectors, including resources. This aligns with our broader strategy of expanding into adjacent markets that utilise our expertise in advanced materials and technology. We are targeting a more stable and sustainable revenue base that is less exposed to cyclical oil and gas capital expenditure.

Importantly, shortly after the 2019 AGM we completed the sale and leaseback of Matrix's Henderson facility for \$20 million. This has ensured we maintain a strong net cash position, providing Matrix with the capacity to execute our strategy and target growth opportunities.

For example, in June 2020 we signed an agreement with Acotec to exclusively distribute its Humidur Coatings products in Australia, New Zealand and PNG. This range of corrosion protection coatings products caters to demand from offshore energy, resources, and defence operations, looking to substantially increase service life for installed site infrastructure plant and subsequently ensure cost efficiencies. The strong potential of this investment is evident. Already in FY21, Matrix has received more than \$2 million in orders for product sales, equipment hire and technical services associated with coatings technology from Australian LNG facility operators, with further orders anticipated during the year.

In addition to these initiatives, in July 2020 the Board also initiated an independent strategic review to consider options to drive future shareholder value in light of continued depressed oil and gas market conditions. Azure Capital Pty Ltd was appointed as Matrix's independent corporate adviser to conduct the strategic review, which has now been finalised.

Under the review process, four strategic options available to Matrix were identified:

1. 'Business as usual', which encompassed two sub-categories – pursuing organic growth via core products and services only or also adding new products and markets.
2. Consolidation, which incorporated the 'business as usual' option as well as pursuing a consolidator strategy to grow scale, such as better utilising the Henderson facility.
3. Selling the company, and
4. Break-up the Company and delist.

In assessing these options, Azure determined that a combination of the 'Business as Usual' strategy – including adding new products and markets – plus proactively targeting relevant M&A opportunities that would enable Matrix to add new revenue streams, spread its cost base, and potentially absorb excess manufacturing capacity would be the best strategic option. Consolidation, a sale of the Company, or delisting were determined to generate limited value accretion outcomes for shareholders

The Board and management team has considered Azure's findings as part of the strategic review process and concurs with their recommendation. The thorough assessment process undertaken by an independent third-party has provided the board with confidence in the direction being pursued by Matrix through the current organic strategic initiatives and inorganic expansion into adjacencies, such as the recent Humidur acquisition.

Additionally, in July 2020 we also announced that Matrix is looking to enhance its Board, consistent with the outcome of the recommendations from the strategic review. I am pleased to announce that, following the appointment of a national recruiting firm, several high-calibre candidates have now been identified and we are in advanced stages towards appointing a new director before the end of this calendar year. This appointee will complement the Board's skills and help enable implementation of the strategic review initiatives.

On behalf of the Matrix Board, I would like to thank our senior management and employees for their commitment and hard work during a challenging year. Finally, I would also like to extend a special thanks to our shareholders for their support through a tough period. Our aim is to build on the early momentum we have generated from our strategic repositioning as we look to reward shareholder loyalty.

-ends-

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2020 ANNUAL GENERAL MEETING

MATRIX COMPOSITES & ENGINEERING

18 November 2020

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AGENDA

- Introduction
- Quorum
- Board Members & Attendees
- Proxies
- Notice of Meeting
- Previous Minutes
- Online Shareholder Participation
- Chair's Address
- Financial Statements
- Resolutions
- CEO Presentation



CHAIRPERSON'S ADDRESS



Mr Peter Hood
Chair

FINANCIAL STATEMENTS

To receive and consider the Financial Report of the Company for the year ended 30 June 2020, consisting of the Income Statements, Statement of Financial Position, Statements of Changes in Equity, Statements of Cash Flows, the Directors' Report, the Directors' Declaration and the Independent Auditor's Report.

RESOLUTION 1

As an ordinary resolution:

“That Mr Steven Cole, being a Director of the Company, retiring by rotation in accordance with article 19.3 of the Company’s Constitution, and being eligible, is re-elected as a Director of the Company.”

For	Against	Open	Abstain
33,832,098	23,985,411	1,526,405	77,220
57.01%	40.42%	2.57%	N/A

RESOLUTION 2

As an ordinary resolution:

“That, the purposes of ASX Listing Rule 7.2 and for all other purposes that the Equity Incentive Plan, on the terms described in the Explanatory Statement which forms part of the Notice of Meeting, be approved”.

For	Against	Open	Abstain
35,368,302	15,884,827	1,435,455	99,509
67.13%	30.15%	2.72%	N/A

- Votes cast by shareholders that are identified as closely related parties to Mr Begley are excluded.

RESOLUTION 3

As an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the Managing Director and Chief Executive Officer Mr Aaron Begley of 2,514,793 Options and 846,614 Performance Rights under the Equity Incentive Plan, on the terms described in the Explanatory Statement which forms part of the Notice of Meeting, be approved”.

For	Against	Open	Abstain
36,255,538	17,264,441	169,350	98,764
66.91%	32.77%	.32%	N/A

- Votes cast by shareholders that are identified as closely related parties to Mr Begley are excluded.

RESOLUTION 4

As an ordinary resolution

“That for the purposes of section 250R(2), and for all other purposes, the Remuneration Report, as set out in the Company’s 2020 Annual Report, is adopted”.

For	Against	No	Abstain
27,224,270	24,049,643	1,431,905	82,275
51.65%	45.63%	2.72%	N/A

- The vote on this resolution is advisory only and does not bind the Directors’ or the Company
- Votes cast by shareholders that are identified as key management or a closely related party are excluded.

2020 ANNUAL GENERAL MEETING

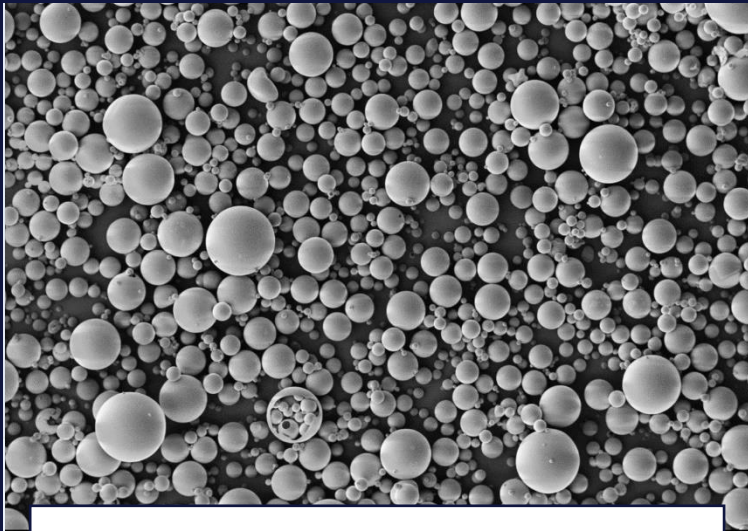
AARON BEGLEY
CHIEF EXECUTIVE OFFICER

18 November 2020

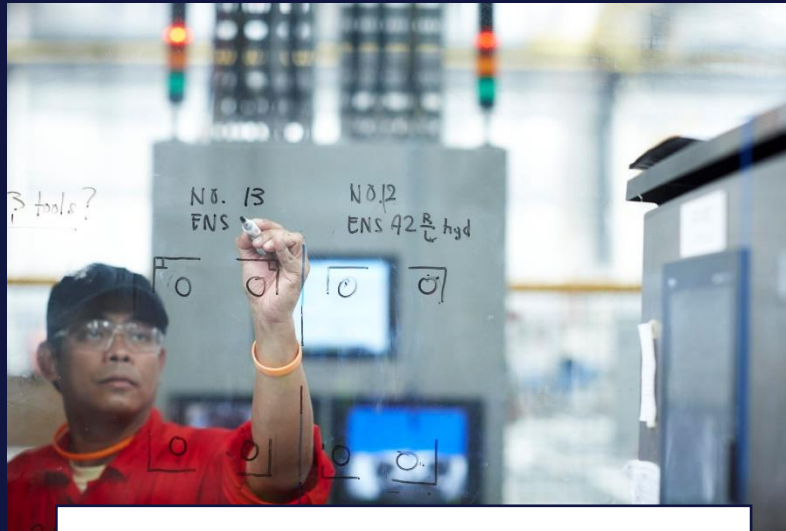
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OUR CAPABILITIES



Advanced materials



Advanced manufacturing



Technology development

OUR MARKETS



Resources



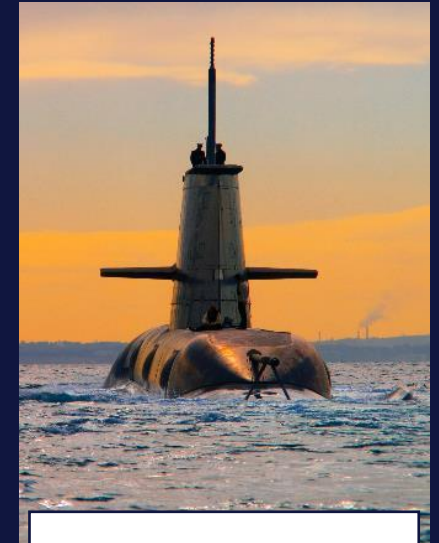
**Civil &
Infrastructure**



Oil & Gas



Transportation



Defence

OUR CUSTOMERS AND PARTNERS



FY20 FINANCIAL OVERVIEW

		FY20	FY19
Revenue	\$m	27.4	38.2
Underlying EBITDA ¹	\$m	(3.7)	(0.9)
EBITDA	\$m	(43.8)	(1.1)
Net profit/(loss) after tax	\$m	(64.5)	(8.7)
Dividends per share	¢	nil	nil
Operating cash flow	\$m	(5.6)	(3.6)
		30 Jun 2020	31 Dec 2019
Gross cash	\$m	14.7	20.1
Net cash/(debt)	\$m	14.7	2.1
Employees ²		78	97

- Reduced capital expenditure in the oil and gas market due to a weak oil price and COVID-19 global impacts drove a material slowdown in revenue and orders in Q4 FY20
- Impacted by one-off, non-cash adjustments to the carrying value of Matrix's assets totalling \$52.4m in response to market conditions
- Achieved 19% reduction in overheads in past two years in response to market conditions
- Accessed \$0.7m in JobKeeper support
- Strong net cash position enhanced through sale and leaseback of Henderson facility
- Changed order book as shift from long-term CAPEX to short-term OPEX style of work

Note: figures may not add up due to rounding.

¹ Underlying EBITDA FY20 excludes foreign exchange losses (\$0.2m) and non-recurring costs (Asset Impairment \$36.3m, loss on sale of assets (\$&L) \$1.4m, restructure and obsolescence costs \$2.1m). Net loss after tax also includes \$12.6m de-recognition of deferred tax asset.

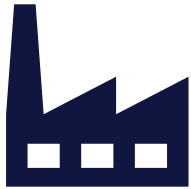
² Indirect workforce of 42 staff were all on varied contract of 80%

STRATEGY OUTLOOK

CEO – Aaron Begley



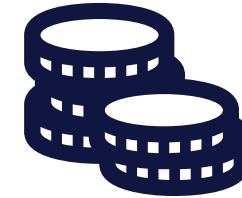
POSITIONED TO CAPTURE OPPORTUNITIES



World-class, modern and highly automated manufacturing plant



Actively pivoting towards Brownfields OPEX via Humidur and packaging of technology offerings



Strong cash position and capital management focus underpins capability to navigate challenging oil & gas conditions



Recognised global market leader in advanced materials and composites

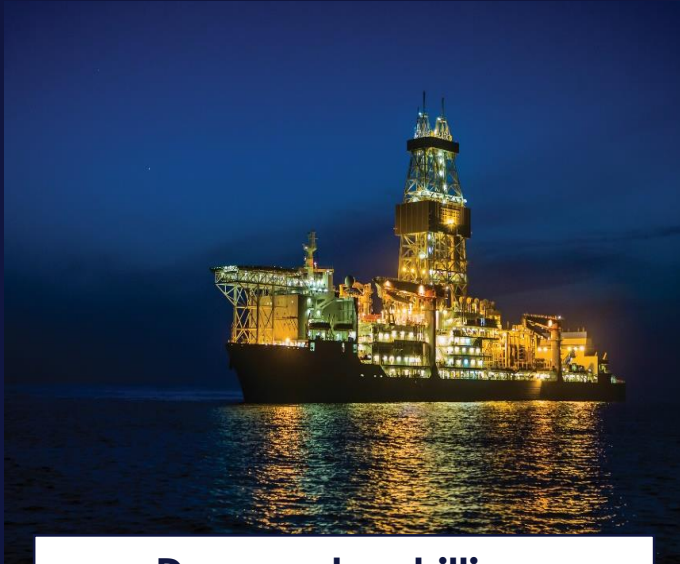


Ability to apply expertise and resources to target growth industries including defence and resources



Well credentialed and highly experienced management team

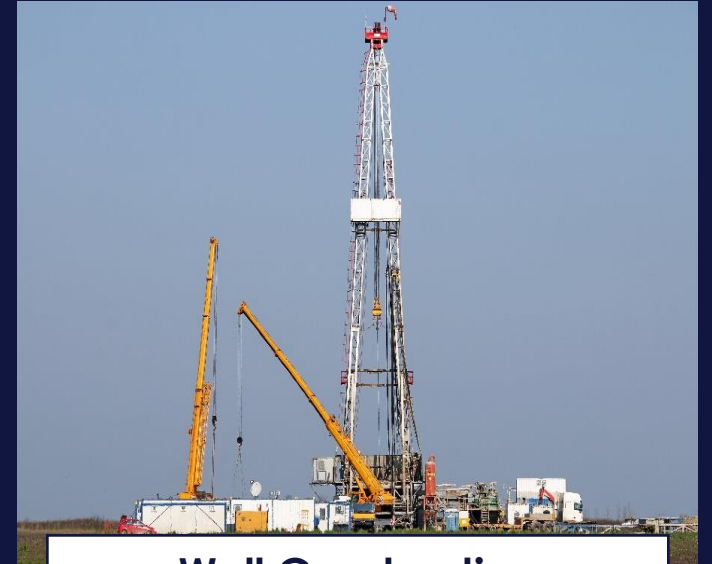
ONGOING PRODUCTS AND SERVICES TO TRADITIONAL MARKETS



Deepwater drilling



Subsea & SURF



Well Construction

TRADITIONAL MARKET UPDATE



RISER BUOYANCY

- Downward trend continues
- Higher spend forecasted for 2022, subject to oil price
- Demand for global floaters in 2021 expected to remain flat at 117 units



SURF

- Local project FIDs (Scarborough and Barossa) pushed out 12 – 18 months
- Medium term outlook improved especially in Brazil (3 to 4 FPSO projects in each of the next 5 years)



WELL CONSTRUCTION (MAXR®)

- Significant decline (~ 50%) in North American unconventional market
- Middle East market – robust and key focus area (FY20 first ever MaxR® delivery)

LEVERAGING CAPABILITY, LOCAL AND EXISTING CUSTOMER BASE TO BUILD SUSTAINABLE REVENUE



Corrosion control technologies



Composite technologies to reduce plant operating expenditure



Through life asset support



Engineering solutions of products to reduce operational downtime

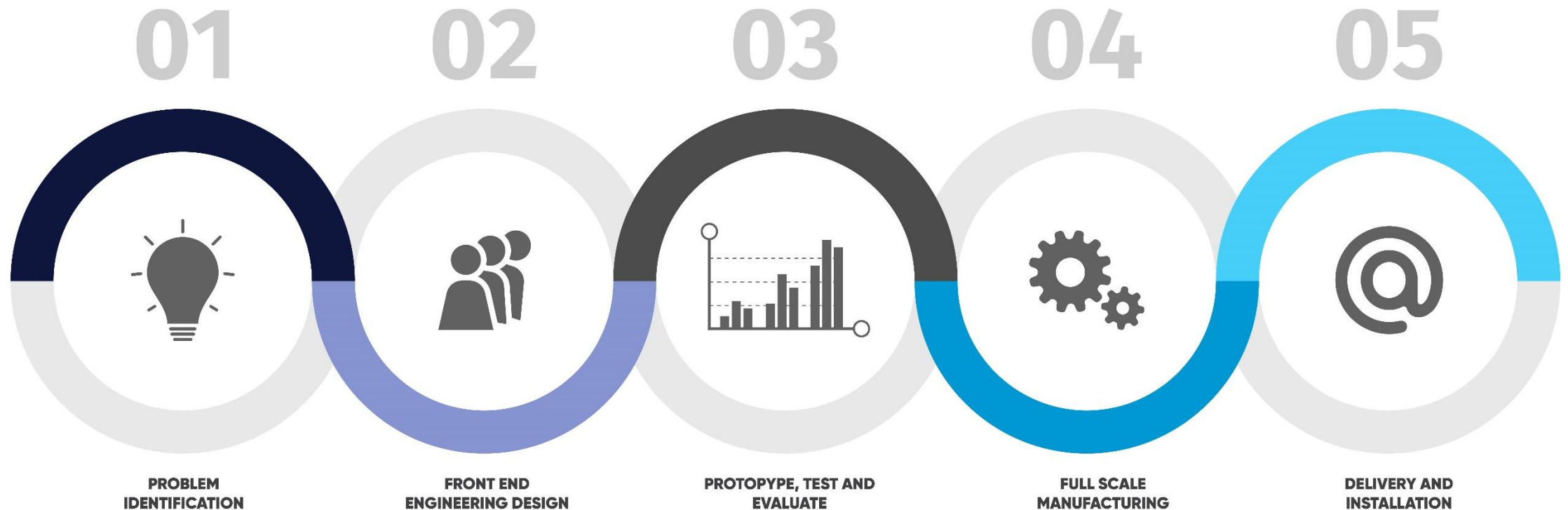


Specialised testing services



Light weighting of structures and steel replacement

MATERIALS SCIENCE & ADVANCED MANUFACTURING WORKING TOGETHER TO DELIVER WHERE TRADITIONAL MATERIALS CAN'T



REDUCING OPEX | MINIMISING DOWNTIME | CONTROLLING CORROSION

BUILDING SUSTAINABLE REVENUE

- COVID-19 accelerated Matrix's strategy to shift revenue stream from Greenfields CAPEX to Brownfields OPEX with a refocus on locally based opportunities
- Newly formed Technology Group providing significant growth opportunities
 - Pipeline of \$3 million over the next 6 months with major Australian resource companies
 - Currently executing \$1 million of work
- Anti-corrosion coatings, application equipment and technical services establishing a foothold
 - Entry opportunities for packaging of services
 - \$2 million worth of Humidur related orders with Australian LNG operators
- Extension into iron ore, gold and chemical sectors



STRATEGIC REVIEW - OVERVIEW



- In response to depressed oil & gas conditions, due to the impacts of low oil prices and COVID-19, Matrix's Board initiated a strategic review in July 2020 to consider options available to protect and optimise shareholder value.
- Azure Capital was appointed as an independent corporate adviser to assist with the review. The review is now complete.
- Azure recognised Matrix's leading position in producing oil & gas products from a world-class facility, but noted the challenging conditions from the reduction in global oil consumption (exacerbated by COVID-19) and oversupply in the market that may suppress demand for a number of years.
- The strategic review considered 4 options:
 1. **Business as usual** – pursue organic growth over (1) core product/services only or (2) also adding new products/markets
 2. **Consolidation** – 'business as usual' plus pursue consolidator strategy to grow scale
 3. **Sell company** – actively market the business to target potential suitors.
 4. **Break-up and delist** – realise market value of saleable assets, collect receivables, quantify and satisfy obligations and distribute remaining proceeds to shareholders.

STRATEGIC REVIEW – NEXT STEPS

- Azure has recommended that Matrix should retain its focus on existing products/services and also selectively add new products/markets – key takeaways include:
 1. New products/markets to only be added in areas where customer demand has been validated
 2. Addition of new products/markets to be driven both organically and via well defined acquisition strategy to add new revenue streams, spread the cost base, and potentially absorb excess manufacturing capacity
 3. Implementation of strategy requires tight cost control and financial discipline given uncertain market outlook
 4. Successful execution of the strategy is likely to increase the future interest of potential acquirers
 5. Break-up unlikely to yield high-value for shareholders in current market with the outcome highly dependent on the ability to realise value for existing plant and equipment and find a solution for the Henderson lease
- The Board and management team has considered Azure's findings as part of the strategic review process and concurs with their recommendations – it reflects the Board's assessment of continuing to service the oil & gas market given Matrix's market dominant position and operating margins whilst targeting local OPEX/sustaining maintenance opportunities in the resources and local oil & gas infrastructure sectors to expand the Company's revenue base.
- Meanwhile, the Company previously stated its desire to bolster its Board consistent with the outcome of the strategic review – a national recruitment firm was recently appointed and Matrix is advanced towards appointing a new director in the near-term to complement the Board's skills and help enable implementation of the strategic review initiatives.

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CLOSURE

Any other business which may be brought forward in accordance with the Company's Constitution and the Corporations Act 2001

Close of meeting – Mr Peter Hood, Chairperson



CONTACT DETAILS

THANK YOU FOR YOUR ATTENTION

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