ASX announcement

8 November 2017

Chairperson's Statement
2017 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 for the year, our major developments, and outlook for financial year 2018.

2017 financial year

The 2017 financial year was an eventful year for Matrix. On the one hand, the continuing trend of sustained low global energy prices meant production of new drill rigs was subdued. This impacted demand for our traditional riser buoyancy products from the oil and gas sector and, as such, our financial results. On the other hand, this macro environment enabled us to take a fresh look at the business, think laterally, think big, and adapt. Matrix underwent a restructure in the year to target growth opportunities in four key areas – energy, resources, civil and infrastructure, and defence – and we are showing good early progress under this diversification strategy.

Financial results

Let me start by providing a review our FY2017 financial results.

As I mentioned earlier, lower energy prices impacted Matrix's financial performance in 2017. Group revenue was $33.1 million, down from $95.7 million in 2016, and underlying EBITDA – which excludes non-recurring costs such as impairment charges, redundancies, the exit of leased premises, as well as foreign exchange losses – was a $4.4 million loss compared to an $11.3 million profit in 2016. Matrix recorded a net loss after tax of $19.5 million, largely driven by the lower revenue result.

Although our financial performance was subdued, we focused on retaining Matrix's strong balance sheet. Matrix ended the 2017 financial year with a net cash position of $14.1 million, up from $3.6 million 12 months earlier. The Company also continues to hold no term debt. This strong position ensures the Company can take advantage of new market opportunities under our diversification strategy as well as capture the future benefit from any oil price recovery.

Board and management

Turning to the board and management level, Matrix experienced one change since last year's AGM, with Dr Duncan Clegg resigning in April as a Non-Executive Director of the Company for personal reasons. Duncan was a director for three years and a great contributor to the Company, and I wish to take this opportunity today to thank him again and wish him every success in his future endeavours.

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Operations and strategy

I'd now like to go into some of Matrix's key operational developments in the year. As I mentioned earlier, Matrix was restructured during the 2017 financial year to target growth opportunities in four key areas – energy, resources, civil and infrastructure, and defence. The products targeted at these markets utilise Matrix's existing core capabilities and assets in advanced materials and technologies, intellectual property, and our leading composites manufacturing facility in Henderson – the largest facility of its kind in Australasia.

One of our major focuses has been the positioning of our revolutionary drag reduction product, called Matrix LGS™. This product reduces drag and vortex-induced vibration for rigs operating in strong ocean currents, helping operators reduce costs and increase production through less downtime and equipment fatigue. In the year Matrix deployed a full scale system to the Gulf of Mexico. These results are expected to be available later in the 2017 calendar year and will provide 'real world' data to demonstrate the effectiveness of this technology.

We are also expanding the use of LGS beyond drill rigs to be used on pipelines, bridges, marine structures, event wind turbines, and jetties. Basically, any structure exposed to strong currents. Matrix was recently successful in winning a contract – worth $3 million in the initial phase – to put LGS covers on a pipeline offshore WA, demonstrating the early success of this expansion.

Elsewhere in the oil and gas space, Matrix has been targeting an increase in work for tiebacks to existing fields and infrastructure, and we are seeing good potential for our SURF and subsea products, as well as application in brownfields and infields developments. We have also experienced strong demand for our well construction products, particularly in North America.

In addition to these, Matrix developed, tested, and launched a number of new products and services in the year. All of these make use of our significant facility at Henderson and our extensive skill set in advanced materials, technology, and engineering.

One example is Paragon™, which are epoxy resins that have applications in the defence, mining, construction and civil sectors. Major mining operatorRio Tinto has successfully trialled and approved the product, and Newcrest is also currently undergoing trials. Another is Kinetica™, which is a lightweight syntactic foam used for crash barriers, shock absorbers and potentially blast protection for land and sea defence applications. Meanwhile, products under development in the year were LiCos™, which reduces concrete densities by at least 30 per cent without losing strength, and Ballistic™, which is a range of cost effective cementing and casing equipment and tools suited for onshore oil and gas drilling projects.

Matrix's Managing Director Aaron Begley will provide more detail on the full suite of the Company's developments in his presentation.

Outlook

Matrix has entered the 2018 financial year with a strong balance sheet, a reduced reliance on our riser buoyancy order book, and a suite of development opportunities underway. In the year we will continue to pursue our diversification strategy and I look forward to updating our shareholders on our progress under this strategy. On behalf of the Matrix Board I would like to thank our senior management and employees for their commitment and hard work during the year. I would also like to thank shareholders for their continued support throughout the year.

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