

6 August 2018

# Matrix awarded significant manufacturing contract for bulk composite transport system, provides operational and financial update

## Summary

- \$2.4 million contract from a major bulk freight company for Matrix to develop and manufacture four prototype advanced composite material bulk transport systems with potential for future large-scale manufacturing commitment.
- Contract leverages Matrix's expertise in advanced technologies to deliver lightweight composite structures across diverse industries.
- Matrix had foreshadowed subdued earnings for FY18, with preliminary FY18 results showing an expected EBITDA loss of \$6.9 to 7.3 million (unaudited)
- Earnings impacted by deferrals in the award of new oil and gas contracts and anticipated revenue from civil and infrastructure projects moving into FY19
- Significant signs of improvement in the oil and gas market so far in CY18 which is starting to translate into new orders
- Building on multiple emerging opportunities in transportation, civil and infrastructure and defence sectors

Matrix Composites & Engineering Ltd (ASX:MCE, "Matrix" or the "Company") advises it has been awarded a new manufacturing contract and provides an update on its operating and financial performance for FY18.

## Transportation market contract award

Matrix is pleased to advise that, following a Letter of Intent in January 2018, it has now been awarded a \$2.4 million contract from a major bulk freight company to develop and manufacture four prototype composite bulk transport systems.

The contract leverages Matrix's expertise in advanced technologies to deliver lightweight composite structures.

Matrix will start manufacturing the prototype systems at its Henderson facility, with the initial stage expected to be completed in H2 CY19. A second stage to manufacture 110 units is also planned subject to a successful functional commercialisation assessment of the prototypes.

Under the contract Matrix has been awarded a 20-year licence to market the product to other potential Australian customers and the potential to extend this internationally.

Matrix Chief Executive Officer Aaron Begley said the contract was a major step towards what could become a large scale manufacturing project for the Company.

"We have been working with our client on the final stage of the design phase and are delighted to have now secured the manufacturing contract to build the prototypes," Mr Begley said.

"This contract is perfectly in line with our strategy to combine Matrix's proven capabilities in advanced materials, with our state of the art composite manufacturing facility to develop lightweight composite structures for the large and growing transportation market here in Australia and overseas.

"The composite materials being used to manufacture the product are lightweight, rigid, and have fabrication advantages compared to traditional materials such as steel, resulting in structures that significantly increase freight load capacity of bulk transportation."

Other opportunities for lightweight transportation structures are also being pursued with discussions having commenced with other major bulk transport and freight transport companies for fleet upgrades.

### FY18 financial update

Matrix previously advised it anticipated subdued earnings for FY18 as the Company progressed with its diversification strategy and rode out the downturn in the oil & gas sector. Following a review of its FY18 results, Matrix can confirm it expects an FY18 EBITDA loss of \$6.9 to \$7.3 million (unaudited) which includes a \$1.0m foreign exchange gain. This has largely been driven by lower revenue in FY18 of \$19.5 million (unaudited) (FY17: \$33.1 million), due to deferrals in the award of new oil and gas contracts, particularly for SURF and LGS®\* projects, and anticipated revenue from civil and infrastructure projects moving into FY19.

Matrix ended 30 June 2018 with a gross cash position of \$10.6 million and with a trade finance drawdown of \$4.2 million.

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\* LGS® is a registered trade mark of AMOG Technologies Pty Ltd.. Matrix has the exclusive world-wide licence to commercialise LGS.

## Operations update

### Oil & gas

The oil & gas market has shown significant signs of improvement so far in 2018, with several subsea projects reaching FID this year. Rig utilisation has increased and there has been sustained activity in unconventional onshore completions.

Underpinned by the rise in industry activity, quotations for SURF, drilling, and well construction products have increased. For example, the company received orders for riser and production buoyancy in Q4 FY18 valued at approximately \$2 million.

During FY18, Matrix maintained steady production of its range of MaxR™ centralisers, a consumable used for production on shale and horizontal wells, and commenced initial production of a US\$17 million riser buoyancy order that was previously deferred in June 2017.

Following Matrix's success with the \$4 million LGS®\* pipeline remediation project and the successful trial of a LGS riser buoyancy string in the Gulf of Mexico, Matrix has also been continuing to develop the market for this technology with its partners, AMOG, for both brownfields and greenfield offshore application.

### Civil & infrastructure

Matrix has completed installation of a state of the art roto-moulding system at its Henderson facility, which will be used to manufacture the Tunnelwell® arched stormwater system. Matrix's manufacturing partnership agreement with Tunnelwell has also been extended from three to five years, further reinforcing Tunnelwell's commitment to both Matrix and the ongoing potential of the sector.

Work to manufacture patented Tunnelwell® arched stormwater systems under an initial order worth at least \$2 million (announced in January 2018) is now scheduled to commence in October 2018.

### Defence

Matrix has signed a Memorandum of Understanding with BAE Systems to be its composites partner on defence projects. This 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 defence prime contractors such as Thales, with Matrix working with Thales to adapt advanced materials to designs for defence applications.

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## Outlook

Mr Begley said the improving outlook for the oil & gas sector, Matrix's traditional market, combined with new, tangible growth opportunities coming from the transportation, civil and infrastructure and defence sectors demonstrate the Company's growing capability to drive earnings from diversified markets.

"Manufacturing work at Matrix's Henderson yard over the next 18 months or so is underpinned by a US\$17 million riser buoyancy order, two recently awarded riser buoyancy contracts worth \$2 million, today's transport systems contract worth \$2.4 million, the Tunnelwell arch stormwater system manufacturing agreement worth at least \$2 million, and the ongoing production of our range of centraliser products," Mr Begley said.

"We also continue to experience a high level of quotations for oil and gas production, maintenance and rectification jobs, providing Matrix with a solid opportunity pipeline for FY19 and beyond."

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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.