



September 2018 Investor Presentation

MATRIX COMPOSITES & ENGINEERING

Aaron Begley – Chief Executive Officer

Brendan Cocks – Chief Financial Officer

18 September 2018



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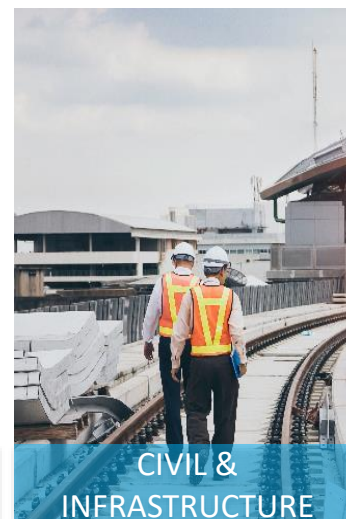
Who is Matrix?

Established in 1980, Matrix is a materials technology company and recognised leader in syntactic foam technology, polymers, and advanced composites.

We produce

- Engineered products and integrated services
- Functional additives
- Advanced materials

For these markets



Innovation is key

- Strong ongoing focus in R&D
- Using innovative materials technologies and engineering, Matrix is developing products and systems that:
 1. Are easier and safer to use
 2. Improve productivity
 3. Are more durable

Australia's largest composites manufacturing facility in Henderson, WA



- Advanced composite manufacturing facility covers 20,000m² and draws on the latest manufacturing concepts including lean production and one-piece flow.
- Highly automated manufacturing processes enables Matrix to produce superior quality products that are competitively priced and can be delivered within shorter timeframes.
- Only facility of its kind in Australasia.

Corporate snapshot

SHARE PRICE



MAJOR SHAREHOLDERS

| | |
|----------------------------------|-------|
| Max Begley Group | 18.9% |
| Allan Gray Investment Management | 17.1% |
| Forager Funds Management | 13.3% |
| Management & Directors | 5.5% |

CORPORATE DETAILS

| | |
|------------------------------------|------------|
| ASX Code | MCE |
| Issued Shares | 93,750,000 |
| Share Price (at 14 September 2018) | A\$0.42 |
| Market Capitalisation | A\$39.4m |

BOARD AND MANAGEMENT

| | |
|---------------|---|
| Peter Hood | Non-Executive Chairman |
| Steven Cole | Non-Executive Director |
| Craig Duncan | Non-Executive Director |
| Aaron Begley | Managing Director & CEO |
| Brendan Cocks | Chief Financial Officer & Joint Company Secretary |

FY18 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 ¹ | \$m | 6.6 | 11.1 |
| Employees | | 80 | 74 |
| Order book | US\$m | 17 | 19 |

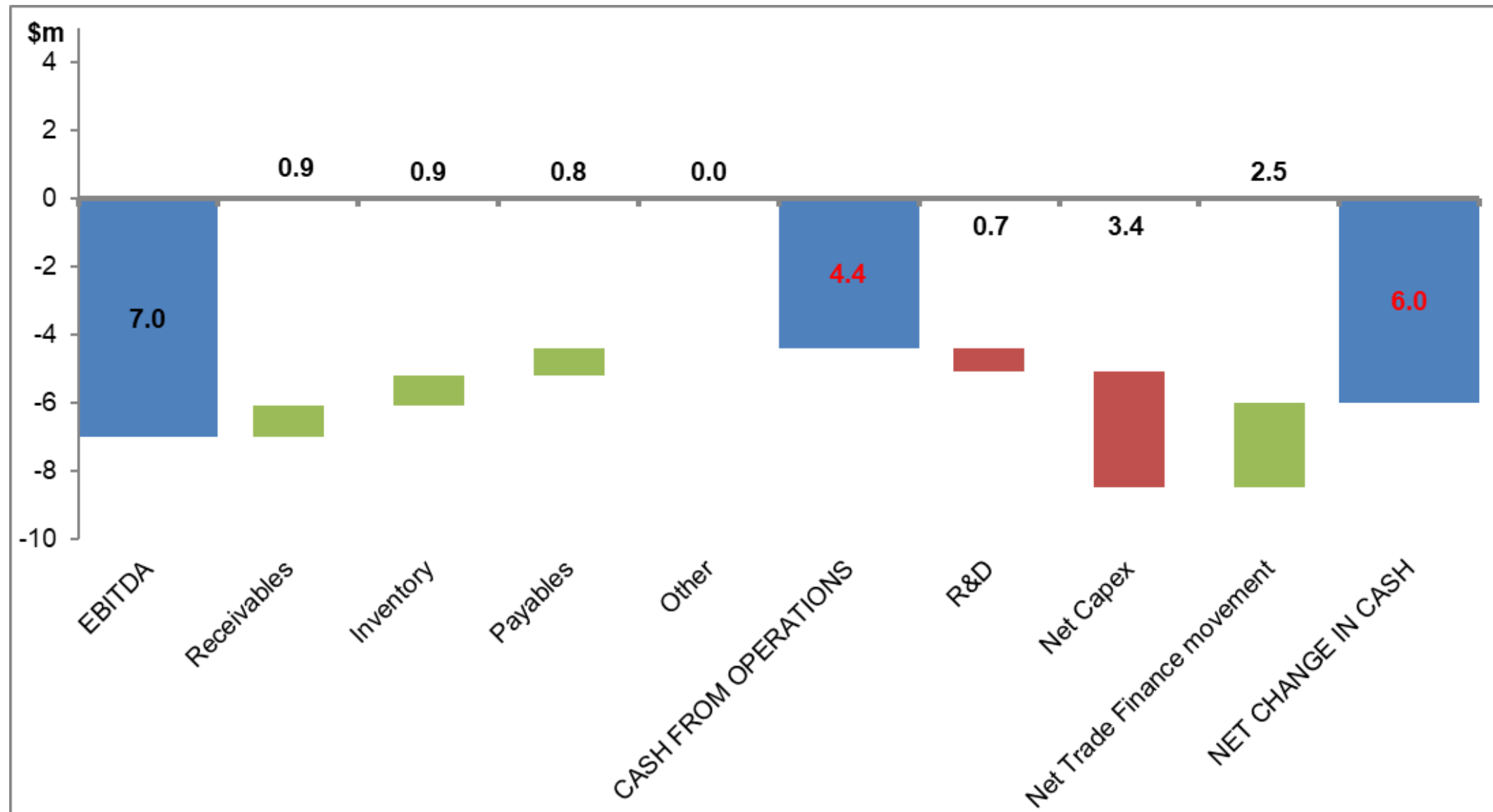
- Revenue and earnings impacted by deferrals in the award of new oil and gas contracts.
- Also revenue from civil and infrastructure projects expected in H2 moved into FY19.
- FY18 EBITDA includes \$1m foreign exchange gain (FY17: \$1.5m loss).
- Order book now US\$19m at 22 August 2018 following new 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 |
| Total Assets | 109.2 | 116.9 | 121.2 |
| 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 |
| Total Equity | 99.4 | 110.5 | 114.8 |
| 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



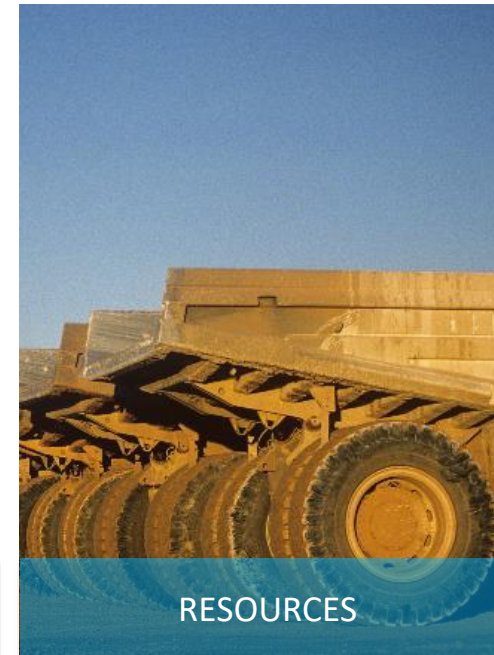
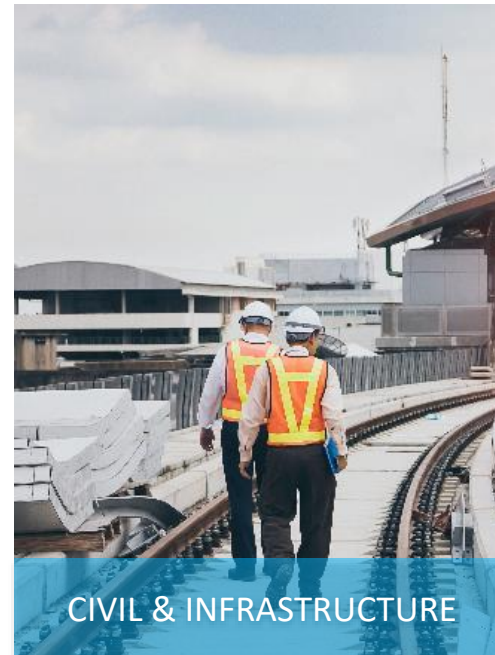
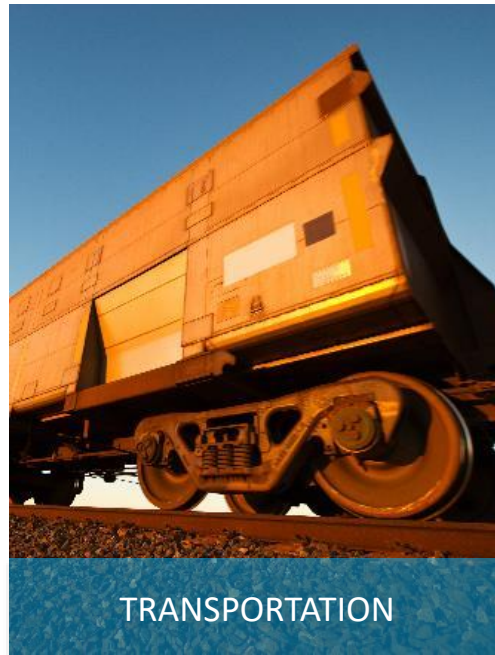
- Funded \$1.5m Roto Molding Machine installation (commissioning planned for Sept 18)
- Trade finance facility used to fund project related expenses during period

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

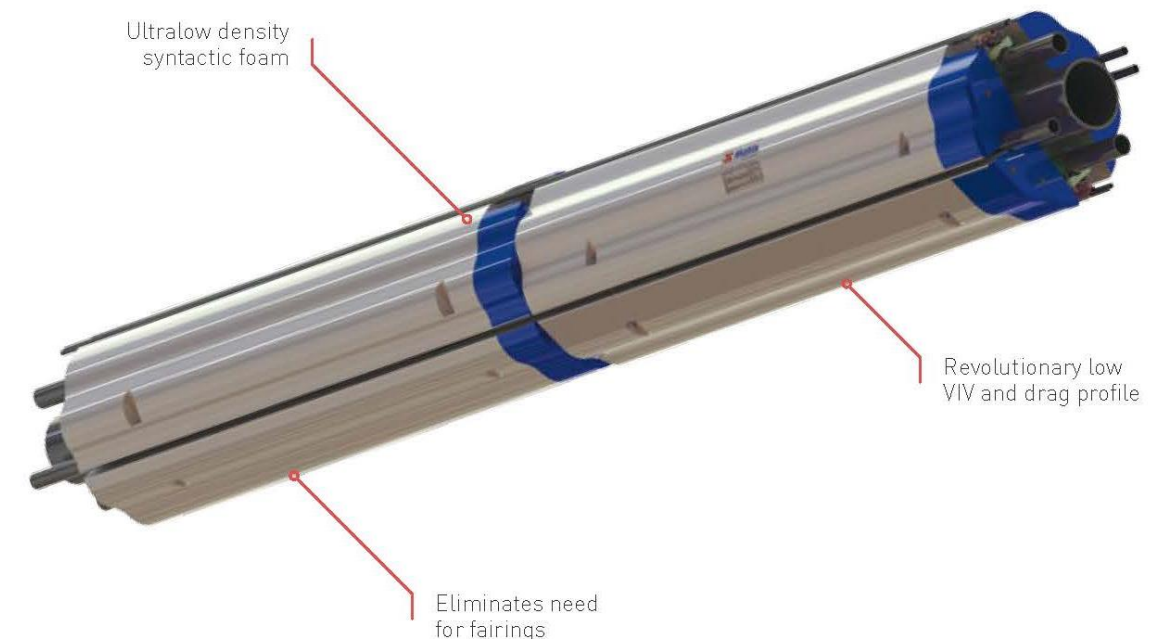
- Positioning as regional APAC supplier of SURF.

Oil & Gas

Matrix LGS®

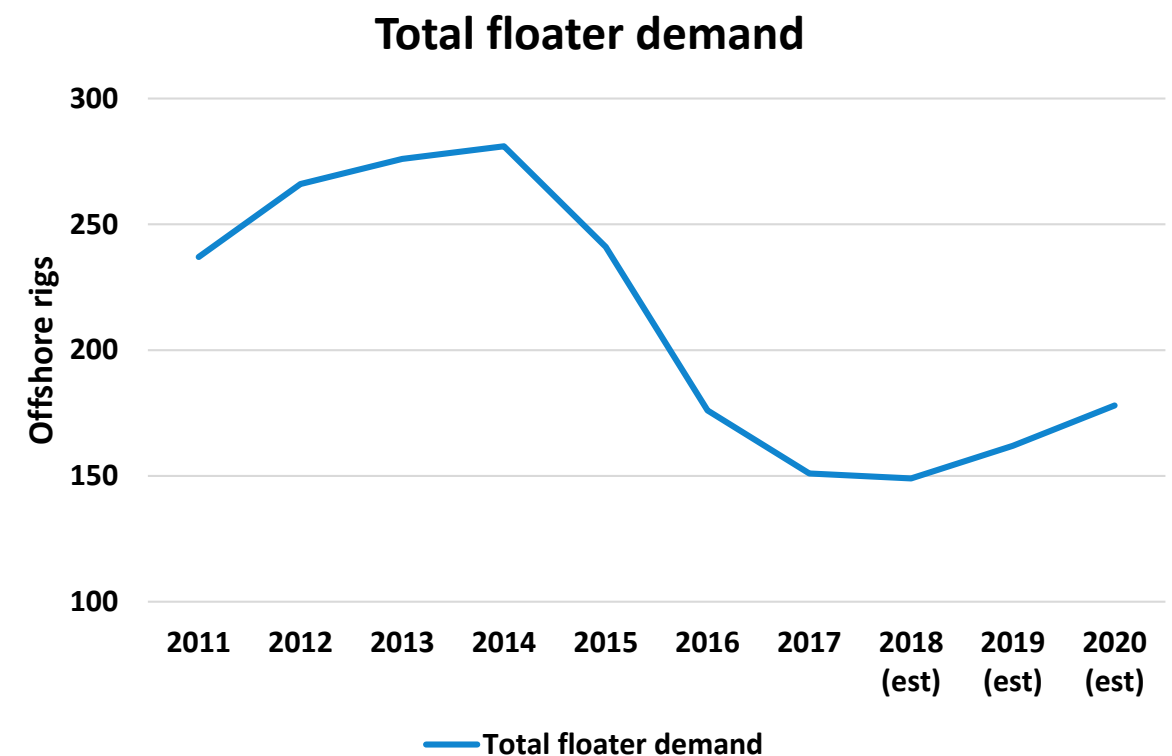
LGS (Longitudinal Groove System)

- 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.



Oil & Gas – market indicators

- The floater market is tracking ahead of forecasts, with activity and optimism rising, according to research house Wells Fargo. (August 2018)
- Expected that total floater demand has reached the bottom at 149 rigs in 2018, and is set to improve in 2019 and again in 2020.
- “The combination of a relatively high and stable oil price and lower offshore breakeven prices is giving our customers confidence to sanction new projects.” (Transocean president and chief executive officer Jeremy Thigpen, September 2018)
- “Subsea demand is growing and is clearly in a period of recovery.” (TechnipFMC president of subsea Hallvard Hasselknippe, September 2018)
- “Upstream spending, contracting activity and utilisation are all coming up. They are key signposts for the market, and all three are heading in the right direction.” (Seadrill president and chief executive officer Anton Dibowitz, September 2018)



Source: Wells Fargo, August 2018

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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