

2020 Half Year Results Presentation

MATRIX COMPOSITES & ENGINEERING LTD

Aaron Begley – Chief Executive Officer
Brendan Cocks – Chief Financial Officer

25 February 2020



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Overview



Financial

- H1 FY20 revenue \$22.6m, up 99.7% on prior corresponding period.
- H1 FY20 underlying EBITDA of \$1.2m, representing Matrix's first 12-month period of positive earnings since 2016.
- Completed sale and leaseback of Henderson facility for \$20m, enhancing Company's net cash position to \$14.8m (30 June 2019: \$2.0m net cash).



Operating

- Revenue growth driven by secured orders, largely for the oil and gas market.
- Increasing diversity of revenue:
 - Won and delivered an LGS project for an offshore drilling application.
 - 3 SURF orders were secured and commenced in the half.
 - Sold first orders of Matrix's MaxR™ range into the Middle East.
 - Defence order for a marine application.



Outlook

- Matrix targeting near term \$50m pipeline of competitive orders, anticipated to be awarded to successful tenderers in H2 FY20.
- Increasing LGS demand for drill rig upgrades.
- Outlook for both SURF and drilling remains strong.
- Opportunities to further expand MaxR™ in Middle East.

Delivering on initiatives during H1 FY20

Expectations for FY20

Progress

Forecast revenue growth for H1 FY20 and maintain core business.



Doubled revenue, compared to the prior corresponding period, from \$11.3 million to \$22.6 million. This rise was driven by oil and gas activity, primarily orders for Matrix's traditional riser buoyancy product.

Sustained activity in unconventional onshore completions expected to drive volume for Matrix's MaxR™ range of well construction products.



Shipped first orders for MaxR™ into the Middle East during the half, opening up a new geographical market for the product, in addition to ongoing focus in Asia, North America and broader EMEA.

Capitalise on growth phase in the SURF market, which is expected to grow substantially due to a rise in offshore Final Investment Decisions (FIDs).



Growing credentials in market through award and delivering on smaller orders. Received SURF orders totalling ~\$1 million, which are expected to be delivered by the beginning of March.

Continue momentum of positive underlying earnings.



Positive H1 FY20 underlying EBITDA result of \$1.2 million. H2 FY20 to depend on outcome and timing of orders.

Secure LGS® product orders as opportunities increase for offshore drilling activity.



\$3 million order for LGS secured and delivered, currently in operation offshore East Africa.

H1 FY20 Financial Results

CFO – BRENDAN COCKS



Key financial metrics

		1H FY20	1H FY19
Revenue	\$m	22.6	11.3
Underlying EBITDA ¹	\$m	1.2	(2.2)
EBITDA	\$m	(0.2)	(1.9)
Net profit/(loss) after tax	\$m	(4.2)	(5.3)
Earnings per share	¢	(4.1)	(5.6)
Dividends per share	¢	nil	nil
Operating cash flow	\$m	(4.6)	(1.4)
		31 Dec 2019	30 Jun 2019
Gross cash	\$m	20.1	9.4
Adjusted net cash/(debt) ²	\$m	14.8	2.0
Employees		97	140
Order book	\$Am	10	25

- 12 month revenue is now \$49.5m (CY19) compared with \$18.3m in the prior period (CY18).
- Positive Underlying EBITDA of \$1.2m, representing first 12-month period of positive earnings for Matrix since 2016.
- Underlying EBITDA continues to exclude non-recurring costs – adjusts for \$0.7m non-cash impairment on sale of Henderson facility, \$0.3m restructure and stock obsolescence, and \$0.4m foreign exchange loss.
- Continue to be actively bidding on \$50m in competitive tenders that are expected to be awarded in H2 FY20.

Note: figures may not add up due to rounding.

¹ As in prior years, Underlying EBITDA excludes foreign exchange losses (\$0.4m) and non-recurring costs (loss on sale and leaseback \$0.7m, restructure and obsolescence costs \$0.3m).

² Net Cash comprises Cash less Financial Debt and Progress Claims and Deposits



Balance sheet

\$m	31 Dec 19	30 Jun 19
Cash	20.1	9.4
Trade and other receivables	13.7	8.3
Inventory	8.7	9.8
Property, plant & equipment	36.1	65.2
Intangible and right-of-use assets	36.5	2.7
Deferred tax asset	12.6	12.6
Other assets	0.6	0.4
Total Assets	128.3	108.2
Trade payables	5.4	6.5
Progress billing	0.6	0.1
Financial and lease liabilities	32.2	7.3
Provisions	1.2	1.3
Total Equity	88.9	93.0
Adjusted Net cash/(debt) ¹	14.8	2.0
Net working capital	16.4	11.5

- Expansion in trade receivables reflects increase in work delivered during the period. Two projects were delivered late in the half with approx \$6m of progress payments to be received during the March 20 quarter. Reflected in the increased working capital.
- Successful completion of Henderson sale and leaseback facility resulted in:
 - Increase in cash to \$20.1m.
 - Right of Use asset recognised of \$33.7
 - Lease liability of \$27.5m.
 - Additional lease payments of \$1.7m p.a
- Continue to hold no term debt.

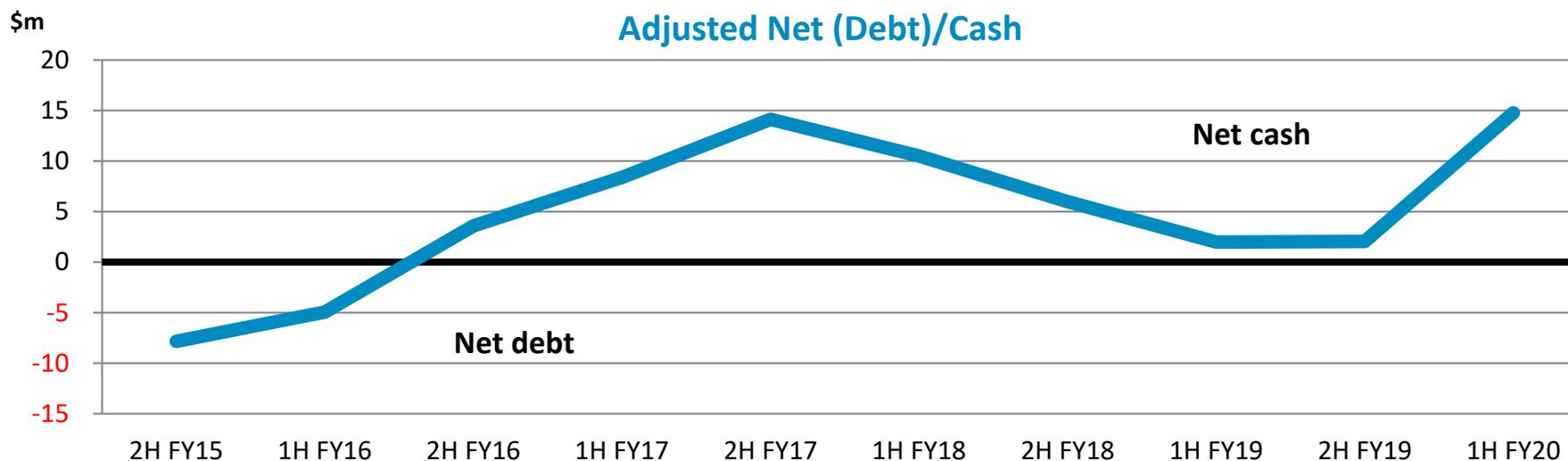
Note: figures may not add up due to rounding.

¹ Net Cash comprises Cash less Financial Debt and Progress Claims and Deposits

Debt and banking

- Completed sale and leaseback deal for Henderson facility, in line with original strategy.
- Improved net cash position enables Matrix to take advantage of opportunities for future orders in re-emerging oil and gas markets, pursue growth opportunities, and consider strategic options.
- Debt markets currently restrictive for oil and gas suppliers.

\$m	31 Dec 19	30 Jun 19
Cash	20.1	9.4
Term debt	-	-
Trade finance debt	(4.7)	(7.3)
Net cash / debt	15.4	2.1
Less:		
Progress claims & deposits	0.6	0.1
Adjust net cash/(debt)	14.8	2.0



Cash flow

\$m	1H FY20	1H FY19
EBITDA /(Loss)	(0.2)	(1.9)
Receivables	(5.4)	(2.5)
Trade Payables	(0.6)	-
Inventory	1.4	(1.1)
Deposits / Progress Billing	0.2	4.1
Cash from Operations	(4.6)	(1.4)
Capital expenditure (incl. R&D)	(1.8)	(1.4)
Proceeds Sale and Leaseback	20.0	-
Proceeds equity raising	-	2.9
Net proceeds/(repayment) trade finance, lease	(2.9)	3.5
Net Cash Flow	10.6	3.6

- Negative cash from operations of (\$4.6m) impacted by the completion of 2 projects in December with \$6m to be received in the March 20 quarter for these completed projects.
- Successful completion of Henderson sale and leaseback facility resulted in:
 - Increase in cash to \$20.1m.
 - Increase in financial and lease liabilities to \$32.2m.
- Additional lease payments for the sale of the Henderson buildings will total \$1.7 million p.a.
- Continue to hold no term debt.

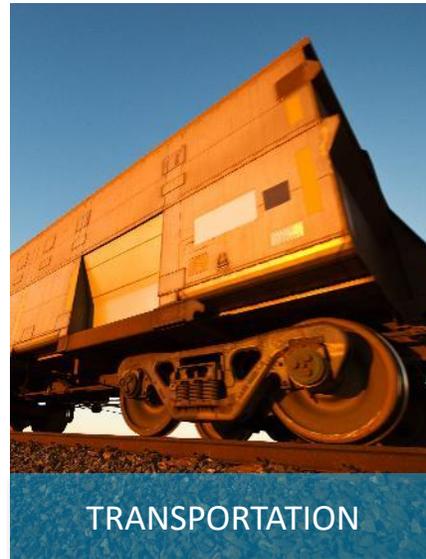
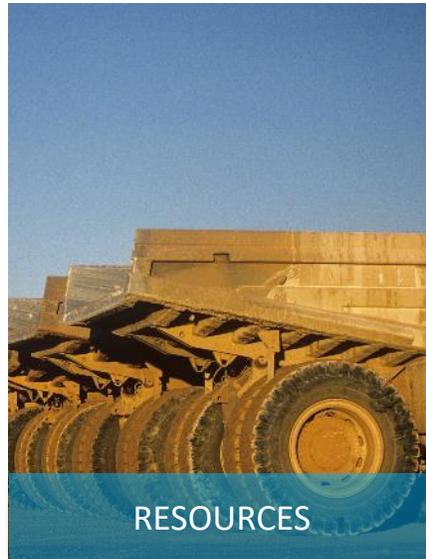
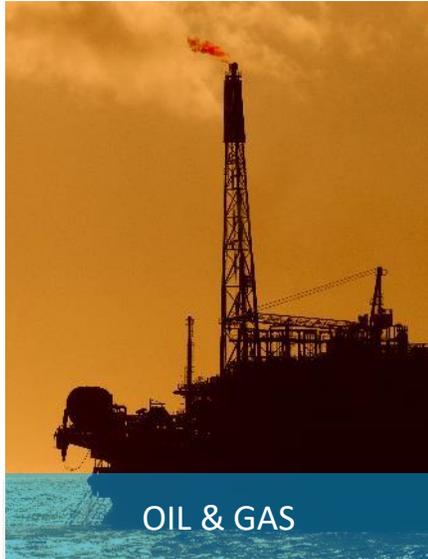
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Growth strategy and outlook

CEO – AARON BEGLEY

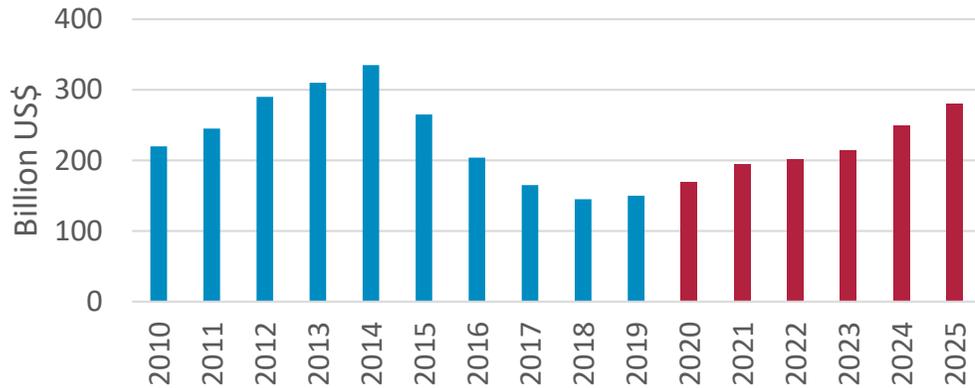
Our business



WORKING WITH OUR CUSTOMERS, MATRIX PROVIDES **INNOVATIVE ENGINEERING SOLUTIONS** USING **ADVANCED MATERIALS AND COMPOSITES** TO INDUSTRIES WHERE SAFETY AND RELIABILITY ARE CRITICAL.

Oil and gas market indicators remain positive

GLOBAL OFFSHORE SPENDING SET FOR STRONG GROWTH



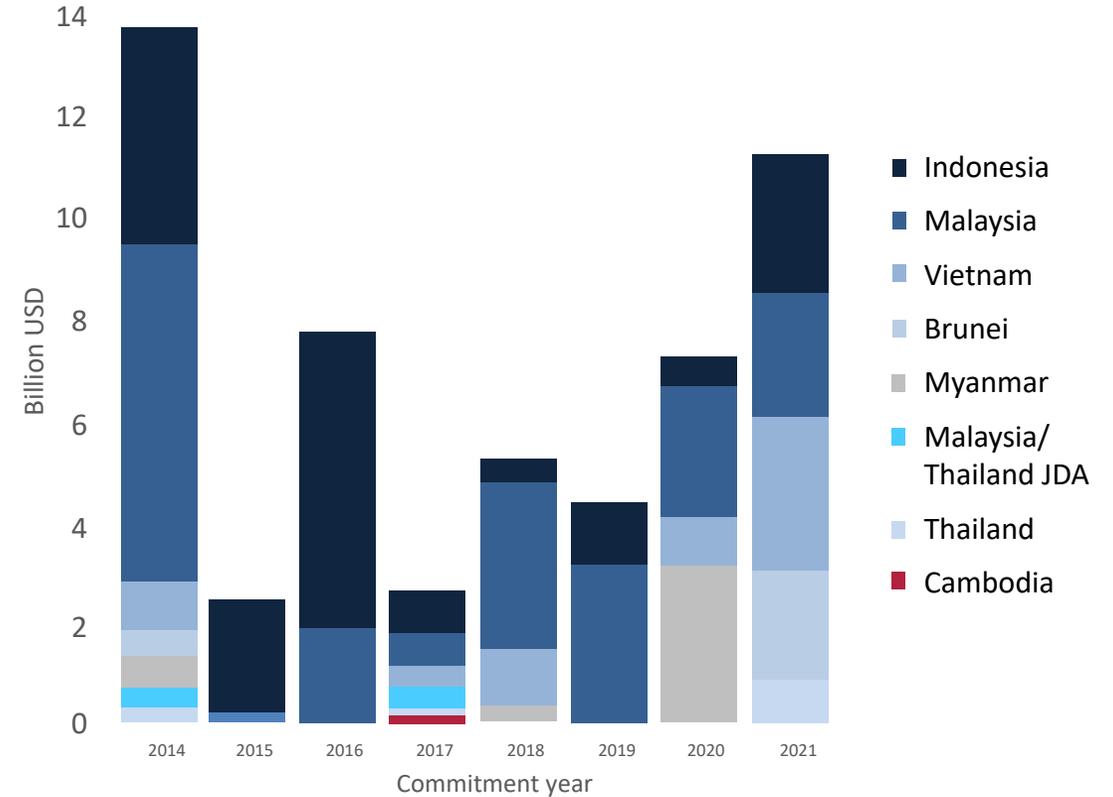
MAJOR AUSTRALIAN OFFSHORE PROJECTS (2020 – 24)

Total estimated spend to exceed US\$45b

- Woodside Browse
- Woodside Scarborough
- Santos Barossa
- Gorgon Stage 2
- Shell Crux
- Inpex Icthyus Phase 2

Source: Clarkson Platou Securities AS

OFFSHORE COMMITMENTS INCREASING IN SOUTHEAST ASIA



Source: Rystad Energy

Oil and gas operations

RISER BUOYANCY



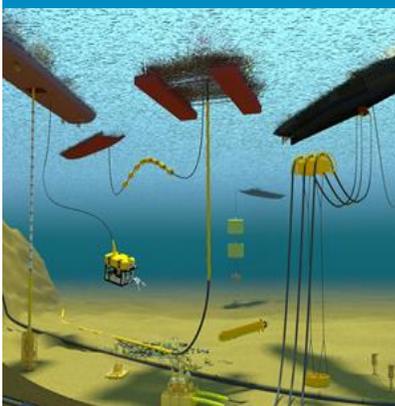
- Historically Matrix's primary product – used in deepwater drilling operations and had been impacted market downturn.
- During the period 2 large orders were completed with a combined value of approx. \$15m.
- Performing and quoting work for upgrades, spares and repairs as drilling markets recovers.

WELL CONSTRUCTION



- A consumable item used in shale oil and gas production.
- Shipped first orders for MaxR™ into the Middle East during the half, opening up a new geographical market for the product.
- Providing geographical diversity from traditional but competitive North America market.

SUBSEA UMBILICALS, RISERS AND FLOWLINES (SURF)



- Range of subsea products for offshore oil and gas.
- Continue to win and deliver on smaller orders, building credentials with oil & gas producers.
- Increase in offshore project activity, both in Australia and target export markets, providing opportunities to bid for new work.
- SURF market expected to grow substantially in 2020 calendar year due to growth in offshore Final Investment Decisions.

LGS® (VIV AND DRAG REDUCTION)



- Innovative product used to enhance production in strong water currents.
- Growing interest in using product on existing rigs.
- Cashflows for public E&P companies are improving, which is flowing through to greenfields and brownfields offshore drilling.
- Matrix starting to see benefit of this, with \$2.5m in LGS revenue during H1 FY20.

LGS is a registered trademark of AMOG Technologies Pty Ltd.

Diversified operations

DEFENCE



- Applying expertise in advanced materials and technology to develop products for new build and sustainment programs (e.g. anechoic coatings, buoyant materials, structural work).
- Orders received from international defence customers and entering the sustainment market for naval operations.
- Ongoing qualification with major defence primes.

RESOURCES



- Marketing significant capability to support the Western Australian resources sector in LNG and mining operations.
- Addressing corrosion, weight and wear issues with advanced materials.
- Development and opening of large composite workshop.

TRANSPORTATION



- Opportunities in vehicle lightening to maximise payload capacity.
- Showcased advanced materials solutions at recent Ausrail Conference and Exhibition.
- Contract for 4 prototype advanced composite material bulk transport systems (\$2.4m) not proceeding beyond recent design review.
- ~\$1m received to date - discussions underway with customer for outstanding claims.

CIVIL AND INFRASTRUCTURE



- Range of opportunities to use composites in civil and infrastructure products.
- Initial orders produced under five-year Tunnelwell® arch stormwater systems manufacturing agreement.
- Recent market release of completed Tunnelwell® product.

Outlook

- Substantial global and regional pipeline of offshore projects that have reached FID or are likely to reach FID in near term, despite some project slippages. SURF pipeline remains strong.
- Matrix ideally positioned to take advantage of several major Australian projects in the LNG sector.
- Demand for deepwater drillships expected to increase substantially in 2020, which will drive operational expenditure demand for Matrix's products.
- Strong pipeline of new offshore work remains:
 - Over \$50m in competitive tenders Matrix is actively bidding on expected to be awarded to successful tenderers in near-term.
 - Orders in FY20 have included \$4m across five offshore projects including LGS® Riser Buoyancy for an existing rig, SURF orders for distributed buoyancy, and a positive variation to an existing order.
- Opportunities to utilise unique expertise in advanced materials to service the operations of Australian resource companies in both the LNG and mining sectors.
- Strong net cash position enables Matrix to take advantage of opportunities for future orders in re-emerging oil and gas markets, pursue growth opportunities, and consider strategic options.

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