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2019 Half Year Results Presentation

MATRIX COMPOSITES & ENGINEERING LTD

Aaron Begley – Chief Executive Officer
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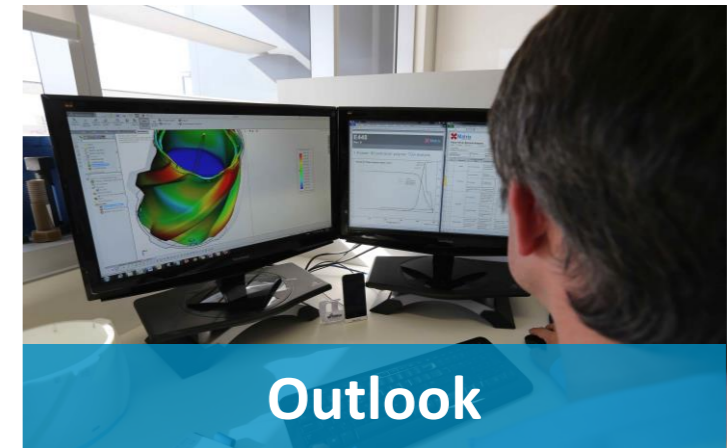
Overview



- Revenue \$11.3m, with ~75% of revenue during Q2 FY19.
- Narrowed EBITDA loss \$1.9m, with breakeven result in Q2 FY19.
- \$14.5m cash at bank and maintained net cash position, providing capacity to capture growth opportunities.



- Order book to A\$37m, underwriting plant production to end of CY19.
- Secured biggest riser buoyancy order in over three years, worth \$15.3m.
- Increased inbound enquiries for traditional drilling riser buoyancy product as well as quotations for oil and gas production, maintenance and rectification jobs.



- FY19 revenue guidance of \$35m–\$40m, up from \$19.5m in FY18, underpinned by secured order book.
- Sustained increase in offshore project activity providing growth opportunities.
- Further traction with diversification strategy with recent opportunities in defence.
- Expect positive earnings (EBITDA) in H2 FY19.

Driving growth in FY19

Expectations for FY19	Status
Improving outlook for oil & gas sector driving rise in quotations	Awarded \$15.3m contract to replace ultra deep water modules, as well as total of \$5m in smaller riser buoyancy related orders for delivery in FY19
Sustained activity in unconventional onshore completions expected to drive volume for Matrix's MaxR® range of well construction products	North American sales increased with appointment of new distributors, and continuing shale output growth expected in EMEA and SE Asia
Manufacture of four prototype composite bulk transport systems to be completed in H2 CY19	Tooling for phase 1 prototypes completed with composites workshop commissioned
Tunnelwell® arch stormwater systems – commence production in H1 FY19 under 5 year agreement	Roto-moulding system commissioned, awaiting tooling to commence production in H2 FY19.
Pursue new opportunities in the transportation, civil and infrastructure and defence sectors	Bidding for opportunities in defence – materials research, sustainment, newbuild programs
Forecast revenue growth for FY19	Strong revenue growth in H2 to deliver on revenue guidance of \$35m – \$40m, up from \$19.5m in FY18

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1H FY2019 Financial Results

CFO – BRENDAN COCKS

Key financial metrics

		1H FY19	2H FY18	1H FY18
Revenue	\$m	11.3	7.6	11.9
EBITDA	\$m	(1.9)	(4.7)	(2.3)
Underlying EBITDA ¹	\$m	(2.2)	(5.4)	(2.6)
Net profit/(loss) after tax	\$m	(5.3)	(8.8)	(6.6)
Earnings per share	¢	(5.6)	(13.8)	(7.0)
Dividends per share	¢	nil	nil	nil
Operating cash flow	\$m	(1.4)	(1.1)	(3.3)
		31 Dec 2018	30 Jun 2018	31 Dec 2017
Gross debt	\$m	(7.8)	(4.0)	(0.5)
Net cash/(debt) ²	\$m	6.7	6.6	11.1
Employees		108	80	74
Order book	US\$m	27	17	19

- Revenue roughly in line with pcp, but up on 2H FY18.
- Circa 75% of 1H FY19 revenue in December quarter, demonstrating momentum into 2H FY19.
- Revenue primarily riser buoyancy work.
- Breakeven EBITDA in 2Q FY19.
- Underlying EBITDA removes \$0.3m foreign exchange gain (1H FY18: \$0.3m gain).
- Order book (A\$37m), growth includes:
 - A\$15.3m riser buoyancy contract from Diamond Offshore Drilling.
 - Balance of US\$17m riser buoyancy order deferred in June 2017.

Balance sheet

\$m	31 Dec 18	30 Jun 18	31 Dec 17
Cash	14.5	10.6	11.6
Trade and other receivables	7.6	5.4	10.1
Inventory	8.9	7.8	7.9
Property, plant & equipment	67.1	69.8	71.4
Intangible assets	2.6	2.6	2.6
Deferred tax asset	12.6	12.6	12.6
Other assets	0.7	0.5	0.7
Total Assets	114.0	109.2	116.9
Trade payables	4.2	4.2	6.3
Progress billing	4.7	0.6	0.6
Financial liabilities	7.8	4.0	0.5
Provisions	1.1	1.0	(1.0)
Total Equity	96.2	99.4	110.5
Net cash/(debt)	6.7	6.6	11.1
Net working capital	7.6	8.4	11.1

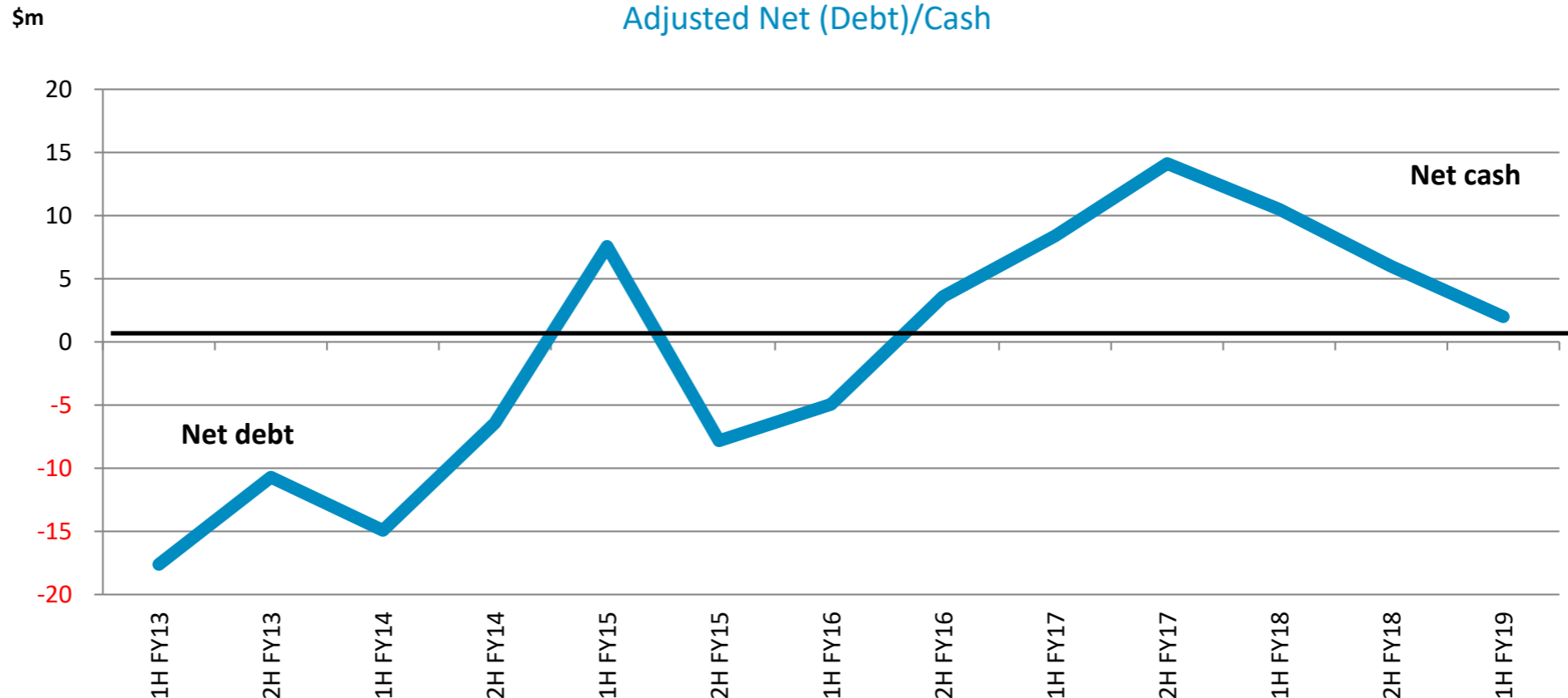
- Increased cash at bank position to support production growth and provide capacity to secure and deliver on future orders.
- Expansion in trade receivables reflects increase in work during December quarter.
- Increase in raw material inventory to support production ramp up in H2.
- Substantial fixed asset value on balance sheet - exploring options for a potential sale and leaseback of the Henderson property.
- Continue to hold no term debt.

Debt and banking

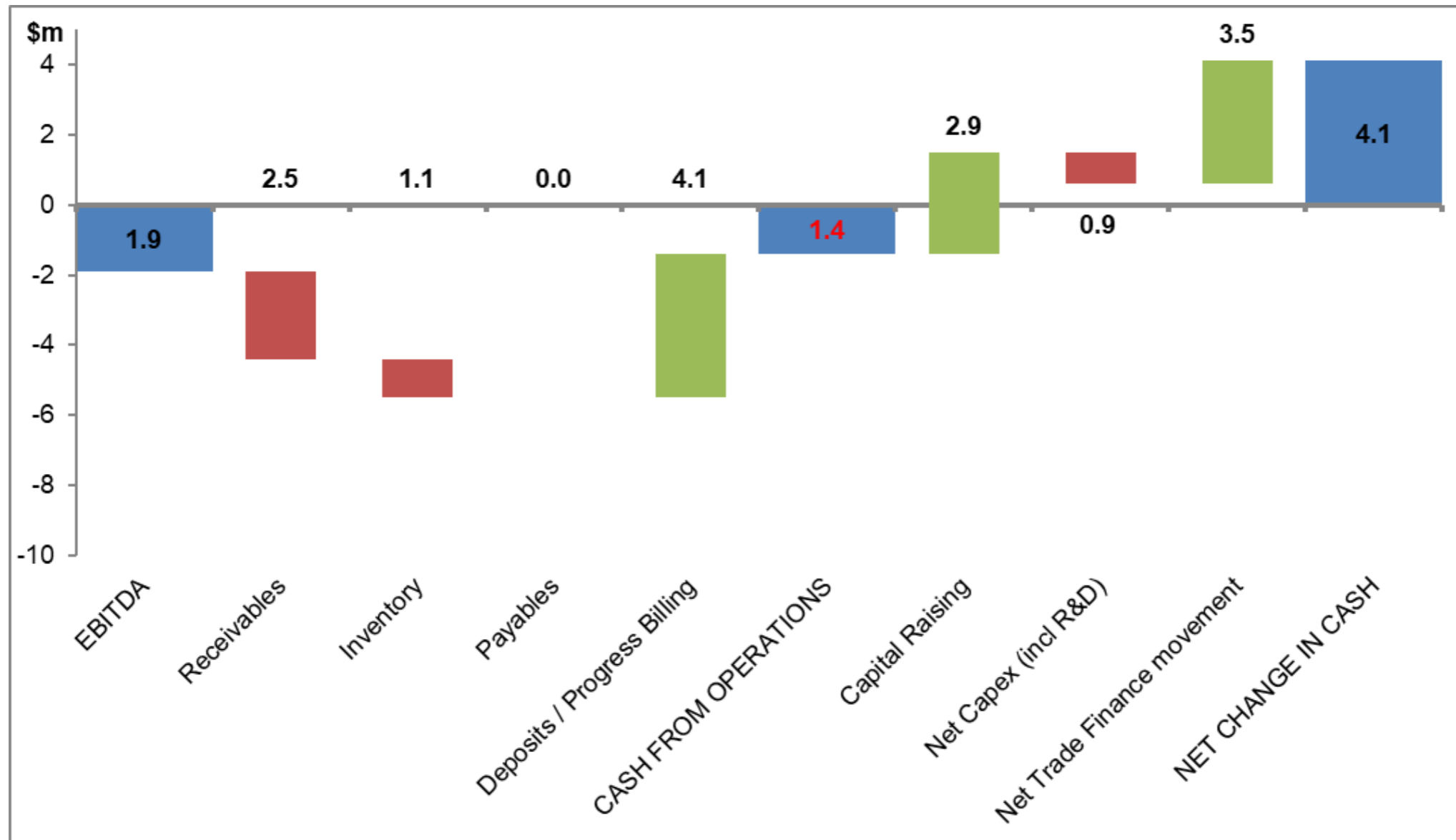
- Growth in progress claims, reflecting increase in larger orders.
- Utilised trade finance facility to support ramp up in manufacturing of secured work.
- Retained net cash position and solid balance sheet to enable Matrix to pursue growth opportunities.

\$m	31 Dec 2018	30 Jun 2018
Cash	14.5	10.6
Term debt	-	-
Trade finance debt	(7.8)	(4.0)
Net cash / debt	6.7	6.6
Adjustments:		
Progress claims and deposits	(4.7)	(0.6)
Adjusted net cash/(debt)	2.0	6.0

Note: total figures may not add up due to rounding.



Cash flow from operations



- Funds used for production ramp late into the half and into H2. Increase in inventory and receivables offset by increase in customer deposits and progress billing
- Net capital raising proceeds of \$2.9m received in Dec 18

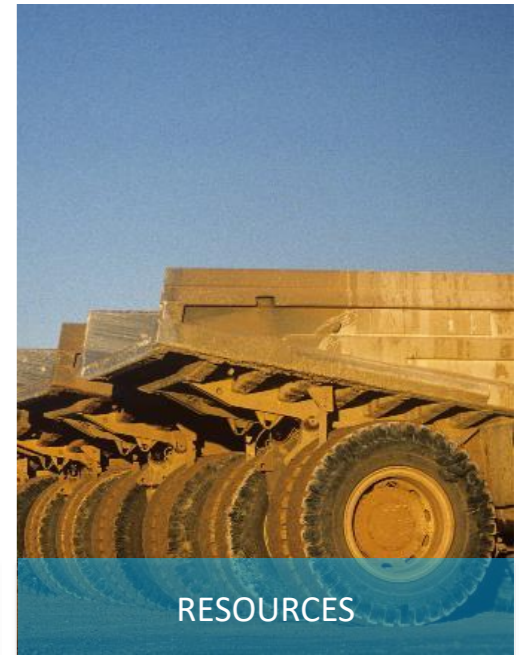
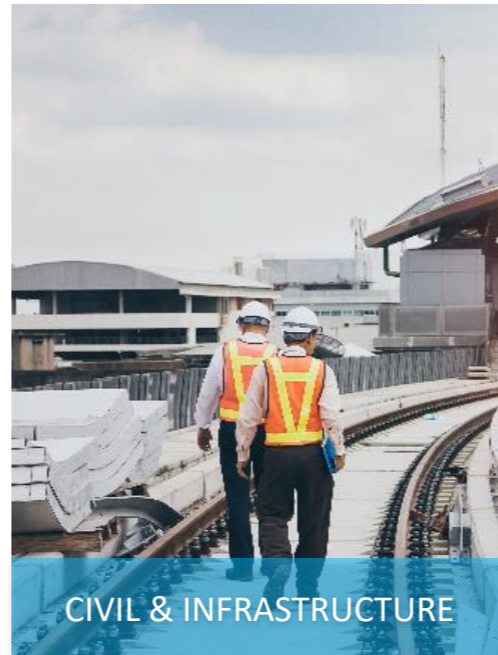
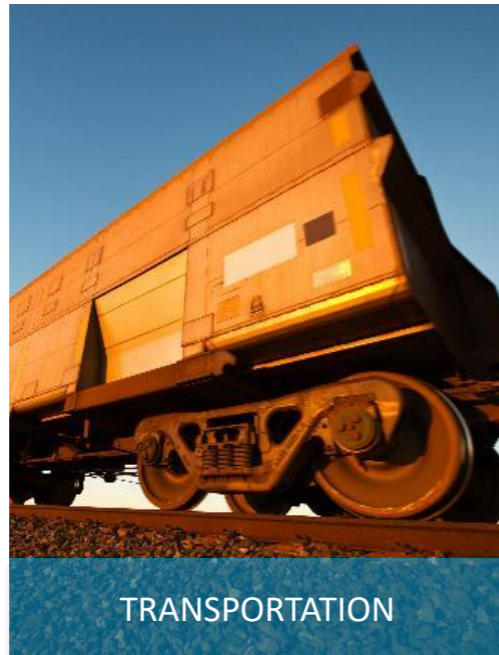
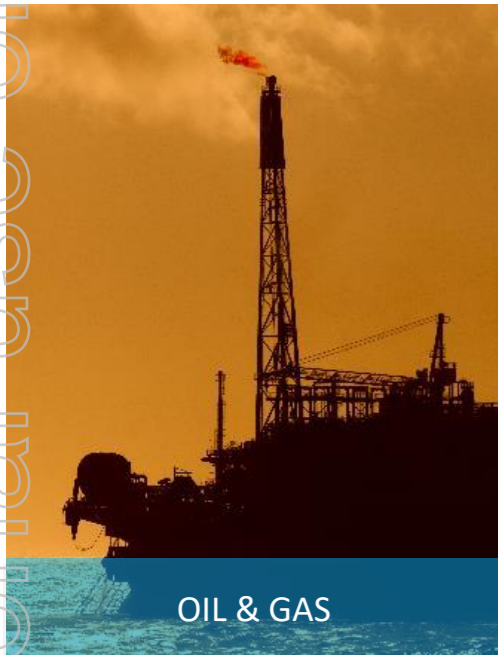
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Growth strategy and outlook

CEO – AARON BEGLEY

Business structure targeting growth

- Matrix business structure targets growth opportunities in five key areas:

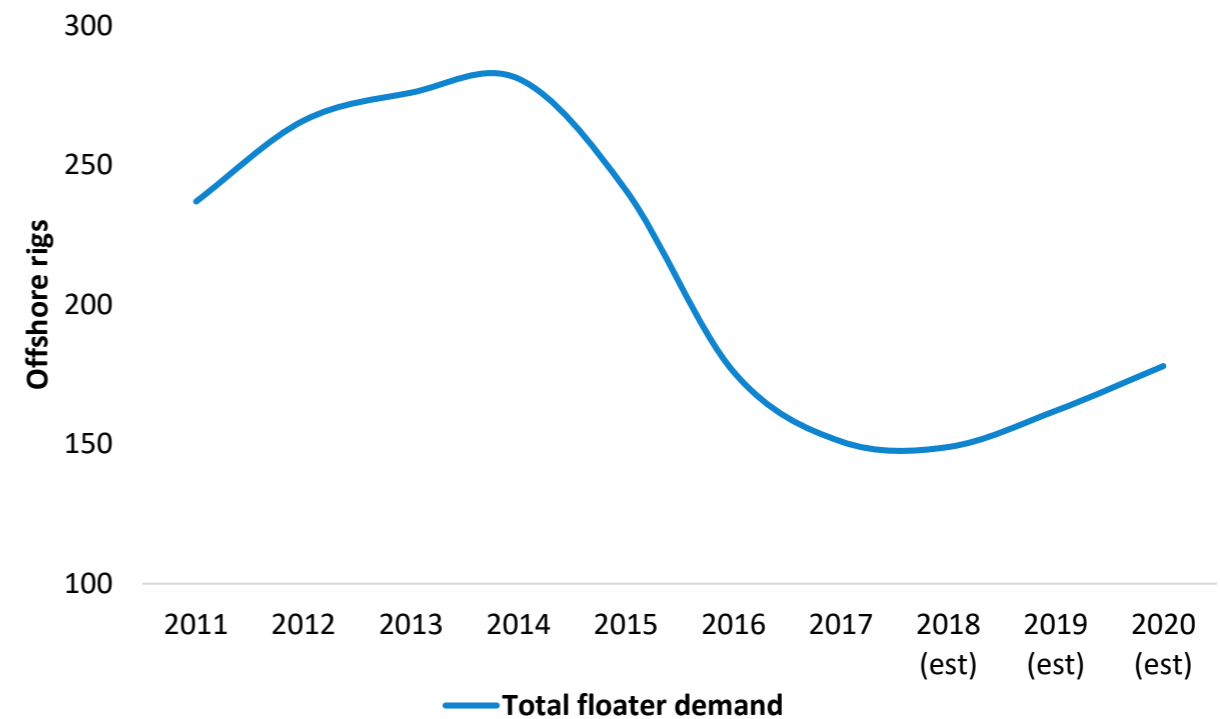


- These key areas utilise Matrix's existing core capabilities and assets in:
 - **Advanced materials and technologies**
 - **Intellectual property**
 - **Australia's most advanced composite manufacturing facility**

Oil & Gas – positive market indicators

- Major producers have continued to increase spending on exploration.
- 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.
- 717 potential field developments offshore at more than 500 metres depth, the bulk of which are in the Americas (Clarksons Research, Dec 2018).
- Currently 30 offshore fields under development at more than 1500 metres depth and 31 under development at 500-1000 metres depth, with 29% of all developments in the Asia Pacific region (Clarksons Research, Dec 2018).
- “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, Sept 2018).

TOTAL FLOATER DEMAND



Source: Wells Fargo, August 2018

Oil & Gas operations

RISER BUOYANCY



- Historically Matrix's primary product – used in deepwater drilling operations and had been impacted by a sustained period of low capex.
- In Nov 2018, secured biggest riser buoyancy contract in three years, valued at \$15.3m.
- Also producing a US\$17m riser buoyancy order that had been deferred in June 2017.

WELL CONSTRUCTION



- Range of consumables used in shale and horizontal well production.
- Demand driven by sustained activity in unconventional onshore completions, with growth potential in EMEA and SE Asia shale.
- North American sales have increased with the appointment of new distributors.

SURF



- Sustained increase in offshore project activity, both in Australia and target export markets, providing opportunities to bid for new work.
- Increased quotations for SURF products, underpinned by rise in industry activity.

LGS (Longitudinal Groove System)



- Relatively new product that reduces vortex induced vibration and drag in offshore projects, enhancing productivity.
- Continuing to develop market for LGS® with Matrix's partner, AMOG, for brownfields and greenfield offshore application.

Diversified operations

TRANSPORTATION

- Progressed \$2.4m contract to develop and manufacture four prototype advanced composite material bulk transport systems, with \$1m revenue booked in 1H FY19.
- Tooling for phase 1 prototypes completed.
- Vehicle lightening to maximise payload capacity provides a major growth market for composites.

CIVIL & INFRASTRUCTURE

- 5-year manufacturing partnership agreement for the unique Tunnelwell® arch stormwater system, with initial minimum order of +\$2m over 24 months.
- State of the art roto-moulding system installed and commissioned, with production expected to commence in Q4 FY19 when tooling complete.

DEFENCE

- Matrix currently bidding for several defence project opportunities that would utilise the Company's core capability in advanced materials and technology.
- Work includes materials research, sustainment, and newbuild programs.

RESOURCES

- Ongoing focus to leverage transport opportunities in large composite structures and capability, and apply to the resource sector.

Outlook

- Oil & Gas sector recovering after years of global downturn and underinvestment, with sustained increase in offshore project activity providing growth opportunities.
- Many subsea projects across the globe have now reached FID – expect this to generate a backlog of equipment demand over the next few years.
- Gaining traction in our defence division under diversification strategy.
- Seeing tangible turnaround in the business, with FY19 revenue guidance of \$35m–\$40m (up from \$19.5m in FY18) underpinned by:
 - Increased production to deliver on Matrix’s secured order book.
 - Ongoing repeat work for Matrix’s MaxR® range of centralisers.
 - Transportation and infrastructure projects, including initial orders under Matrix’s Tunnelwell contract.
- Expect positive EBITDA earnings in H2 FY19 (Based on current customer delivery requirements)
- Increased cash at bank position and no term debt provides Matrix with capacity to secure and deliver on future orders.

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