

MATRIX SET FOR STRONG FY23 GROWTH, LONG-TERM OUTLOOK INCREASINGLY POSITIVE

28 FEBRUARY 2023

OVERVIEW

- Matrix delivers revenue of \$11.8m for 1H FY23 with significant growth locked in for the full year, underpinned by secured revenue of at least \$45m for FY23 (FY22: \$28.6m).
- Underlying EBITDA loss of \$2.3m¹ (1H FY22: \$1.3m loss), with a return to positive EBITDA forecast for 2H FY23.
- Net Profit After Tax of \$10.0m (1H FY22: \$3.9m loss) including \$15.8m reversal of prior asset impairments with rebounding oil & gas market and positive outlook.
- Increased gross cash position of \$10.5m (30 June 2022: \$7.6m).
- Considerable growth expected to continue into FY24, with more than half of Matrix's current secured orderbook to be reflected in the FY24 results, and with further growth capacity.
- Long-term outlook is increasingly positive; underpinned by robust subsea sector outlook, continued stable performance of Coatings Technologies division, and receipt of purchase orders in the green hydrogen space from Fortescue Future Industries.

Matrix Composites & Engineering Ltd (ASX: MCE, "Matrix" or the "Company") is pleased to announce its results for the six months ended 31 December 2022 (1H FY23). Matrix generated revenue of \$11.8 million for 1H FY23 (1H FY22: \$13.7m), with significant year-on-year revenue growth secured for the full year.

Matrix is set to see a step up in revenue in the second half, with year-to-date revenue and secured orders currently at \$45 million for FY23, and a return to positive EBITDA anticipated for 2H FY23 (FY22: Revenue of \$28.6m, underlying EBITDA loss of \$2.3m). This comes on the back of the Company progressing work on projects that were awarded during late FY22 and in 1H FY23, as a rebounding oil & gas market is elevating demand for Matrix's subsea products.

Matrix Chief Executive Officer Aaron Begley said the Company has an exciting pathway to deliver sustainable growth both in the near and long-term.

"During the half we laid the groundwork to deliver a significant rise in revenue for FY23, and an enhanced focus on operational efficiency is set to translate this revenue rise into a positive rebound of our underlying earnings in the second half," Mr Begley said.

"Crucially, we see continued growth, capitalising on the resurgence in demand for our traditional oil and gas products, while progressively building a diversified business that is growing its footprint across the renewable energy, mining, and mineral processing sectors.

"We continue to see consistent performance from the Coatings Technologies business and are demonstrating our advanced materials capabilities, with orders received under the FFI Agreement in the emerging green hydrogen space, and a new development agreement with Rio Tinto also utilising our composites technologies."

¹ Underlying EBITDA loss 1H FY23 excludes foreign exchange (FX) gain \$0.1m, impairment reversal \$15.8m and a non cash fair value accounting adjustment of \$1.1m increasing the convertible note. Prior period 1H FY22 excludes total FX gains \$0.7m.

During 1H FY23, Matrix ramped up activity at several projects including a circa \$18 million Subsea Umbilicals, Risers & Flowlines (SURF) order announced on 15 August 2022, which followed Matrix's announcement on 3 June 2022 that it had formally secured a purchase order worth approximately \$14 million, for the supply of a Deepwater Drilling Riser Buoyancy System in Asia. The financial benefit from these contracts is expected to be predominately reflected in the H2 FY23 results.

Matrix recorded an underlying EBITDA loss of \$2.3 million for 1H FY23 (1H FY22: \$1.3m loss). As previously mentioned, the Company expects its underlying earnings to improve with positive EBITDA forecast in 2H FY23.

With a rebounding oil & gas market and a broader positive outlook, Matrix recognised a \$15.8 million reversal of prior period asset impairments, which culminated in the Company reporting a statutory Net Profit After Tax of \$10.0 million for the half (1H FY22: \$3.9m loss).

Matrix increased its gross cash position to \$10.5 million (30 June 2022: \$7.6m) following a convertible note raise in early December 2022, to provide additional working capital to support the increased work into 2H FY23.

Work in hand further increased post the convertible note raise, with a ~\$44m binding purchase order received late in 1H FY23, to deliver a SURF distributed buoyancy system for a major deepwater project, increasing secured subsea orders to circa \$76 million. Earnings from this contract will commence in FY24, with manufacturing scheduled to begin during the first quarter of FY24.

Outlook

Matrix expects demand for its traditional subsea buoyancy products to remain strong, with the Company currently progressing numerous tenders in the subsea space. This demand has been supported by the post-COVID reactivation of the global offshore drilling fleet and growth in non-oil & gas buoyancy markets, including offshore wind, defence and deepwater mining.

Matrix is also pursuing advanced material opportunities, particularly in the emerging green hydrogen space. The Company is receiving purchase orders as part of its services contract with Fortescue Future Industries (FFI) to develop equipment and materials technologies for FFI's green hydrogen objectives (see ASX announcement 9 February 2022).

In addition, Matrix's Coatings Technologies division, which is focused on brownfield work across the energy, mineral processing and mining sectors, continues to consistently perform well and supports Matrix's recurrent-revenue base. Further growth in this client base is targeted on the back of a large number of recent project approvals across these core sectors in Australasia.

Overall, Matrix is set for strong growth with a significant revenue forecast increase for FY23, as year-to-date revenue and secured FY23 orders currently sit at \$45 million (FY22: \$28.6m), and further orders are being pursued.

Pleasingly, Matrix expects its growth to continue beyond FY23, driven by an expanding sales pipeline, a COVID-induced backlog of potential contract awards remaining, and a positive market outlook.

This announcement was authorised for release by the Managing Director and CEO of Matrix.

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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 20 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.

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