

2018

Annual General Meeting
Matrix Composites & Engineering Ltd

8 November 2018

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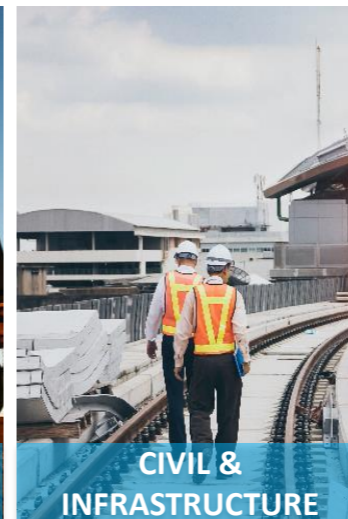
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Matrix today

A materials technology company and recognised leader in syntactic foam technology, polymers, and advanced composites.

Targeting growth across



Using core capabilities and assets in

- Advanced materials and technologies;
- Intellectual property; and
- Australia's most advanced composite manufacturing facility

Delivering against diversification strategy

New products / markets outside cyclical oil & gas growth capex products

FY18 oil & gas project revenue largely from production, maintenance, and rectification projects.

Continue commercialisation of LGS™ in Energy and Defence markets

\$4m LGS® project at a WA offshore pipeline during FY18 and completion of Gulf of Mexico test.

SURF expansion for tie-backs, brownfields, infield developments and IMR

Surf substantial component of FY18 oil and gas revenue.

Advance products and services outside 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

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 Financials – key metrics

Financials		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

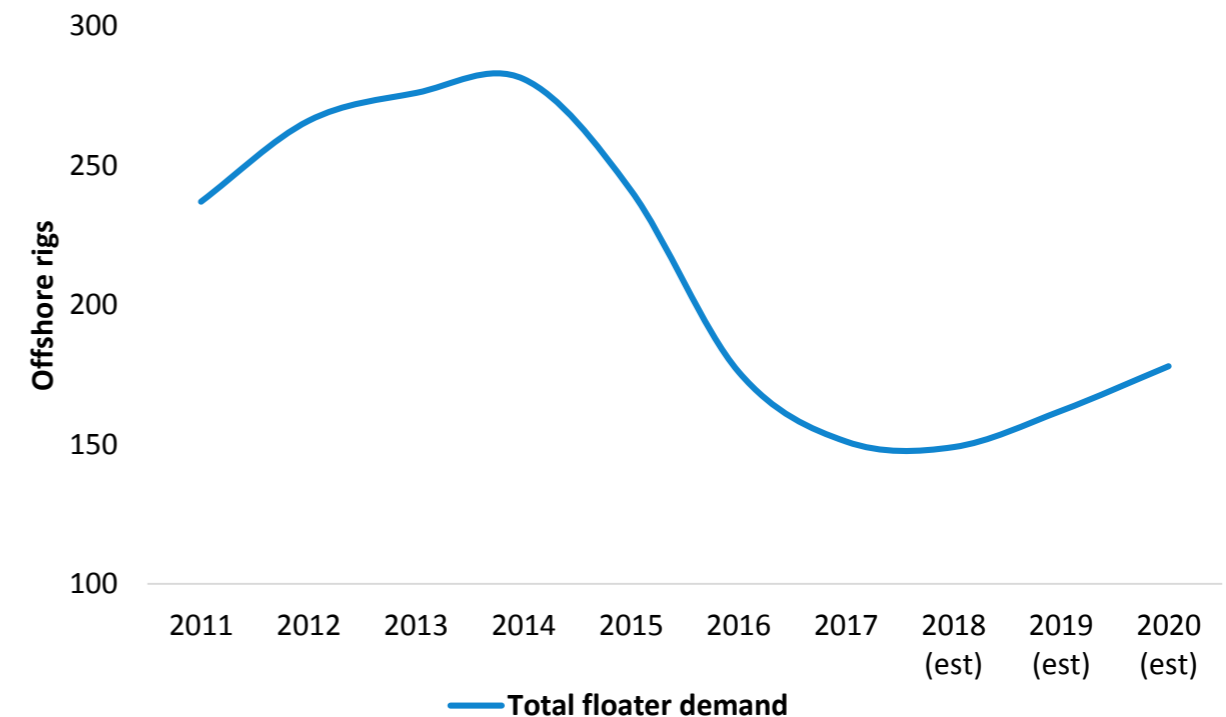
Financials		30 Jun 2018	31 Dec 2017
Gross cash	\$m	10.6	11.6
Net Cash ¹	\$m	6.6	11.1
Employees	#	80	74
Order book	US\$m	17	19

- 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 increased to US\$20m (A\$27m) at 31 October 2018 following new awards in FY19:
 - A\$2.4m bulk transport system contract; and
 - 6 new Riser Buoyancy repair, upgrade and protection related orders received since June 18 totalling US\$3.5m.

Oil & Gas – positive 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)

TOTAL FLOATER DEMAND



Oil & Gas



RISER BUOYANCY

- Historically Matrix's primary product – used in deep-water 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
- Production of a US\$17m riser buoyancy order 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



SURF (Subsea Umbilicals, Risers, and Flowlines)

- Delivered several SURF packages during the year including a distributed ballast system for Greater Enfield Project
- Quotations for SURF products have increased, underpinned by rise in industry activity. Several Australian projects announced with international and regional spend increasing: Gorgon Stage Two – Chevron; Barossa Fields – ConocoPhillips Floating Production Storage and Offloading (FPSO) market Final Investment Decisions (FID)

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.



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.

Looking Ahead

OIL & GAS

- Sector recovering into strong cycle after years of global downturn and underinvestment
- Increased focus on SURF and Subsea IMR provides further opportunity during investment upswing
- Increasing activity in traditional deepwater drilling markets, with 6 riser buoyancy / related equipment orders over last 6 months, and strong enquiries across oil & gas product range

TRANSPORT

- Composite bulk transport system contract opens up exposure to a substantial domestic market
- Vehicle lightening to maximise payload capacity provides a major growth market for composites
- Leverage Transport capability for further growth in Oil & Gas and Defence sectors, where large composite structures can be used to reduce weight

CIVIL & INFRASTRUCTURE, RESOURCES, DEFENCE

- Pursuing additional, tangible growth opportunities in line with diversification strategy
- Developing complementary processes, maintaining and leveraging existing core capability

FORECAST GROWTH

- Circa \$27m 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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