

22 February 2019

Matrix set for FY19 revenue growth after expanding order book in 1H

Summary

- Revenue of \$11.3 million (1H FY18: \$11.9 million)
- EBITDA loss of \$1.9 million (1H FY18: \$2.3 million EBITDA loss)
- Net Loss After Tax of \$5.3 million (1H FY18: \$6.6 million NPAT loss)
- Order book expansion to A\$37 million (30 June 2018: A\$24 million), underwriting plant production to the end of CY19
- Reiterate FY19 revenue guidance of \$35 million – \$40 million, with revenue growth and positive EBITDA expected in H2 FY19 as production on larger orders ramps up
- Increase in quotation activity across all Oil and Gas related products, as well as momentum in the Transportation, Infrastructure, and Defence sectors under Matrix's diversification strategy
- Cash at bank of \$14.5 million (30 June 2018: \$10.6 million), supported by a \$3 million capital raising completed in December 2018 to provide Matrix with capacity to capture growth opportunities

Matrix Composites & Engineering Ltd (ASX:MCE, "Matrix" or the "Company") has today announced its results for the six months ended 31 December 2018 (1H FY19).

Matrix reported revenue of \$11.3 million, roughly in line with the prior corresponding period (1H FY18: \$11.9 million) and a narrowed Net Loss After Tax of \$5.3 million (1H FY18: \$6.6 million NPAT loss). Matrix was able to minimise its loss after a resetting of the Company's cost base achieved during prior years.

Matrix Chief Executive Officer Aaron Begley said it was a tale of two quarters, with the Company reporting almost three-quarters of its 1H FY19 revenue and a breakeven EBITDA result in the December quarter.

"The most pleasing aspect about the six-month period was that we started seeing increased levels of enquiries for both our traditional drilling riser buoyancy products and oil and gas production, maintenance and rectification jobs actually translate into new orders and revenue growth in the second quarter," Mr Begley said.

“For example, we secured a \$15.3 million riser buoyancy order in November 2018 significantly increasing our order book to A\$37 million at the end of the half.

“This expanded order book has enabled us to ramp up production at our Henderson facility, which is set to drive growth in the second half of FY19 and underwrite production at our Henderson plant through to the end of the 2019 calendar year.”

The Board of Matrix has decided not to declare an interim dividend for the period.

Outlook

As previously advised, Matrix expects strong revenue growth in 2H FY19 which will enable the Company to meet its FY19 revenue guidance of \$35 million – \$40 million in FY19, compared to \$19.5 million in FY18. This revenue growth is underpinned by increased production to deliver on Matrix’s secured order book, ongoing repeat work for Matrix’s MaxR® range of centralisers, a consumable product used in shale and horizontal wells, and revenue from projects for the Company’s transportation and infrastructure clients, including initial orders under Matrix’s Tunnelwell contract.

As a result of this revenue growth, Matrix expects to deliver positive earnings in 2H FY19, which – following a sustained period of weak oil and gas prices impacting demand for Matrix’s traditional products and services – would be the Company’s first profitable six-month period since 2016.

Mr Begley said: “We are seeing a real turnaround in the business, driven by growing orders for oil and gas products as well as work secured under our diversification strategy.

“In addition to the secured work, we are seeing a sustained increase in offshore project activity, both within Australia and our target export markets, which is providing opportunities for Matrix to bid for new work such as SURF projects.

“Also, many subsea projects across the globe have now reached FID, which we expect will generate a backlog of equipment demand over the next few years.

“Furthermore, we have also been gaining traction in our defence division under our diversification strategy, with Matrix bidding for work that would use Matrix’s core capability in advanced materials and technology for materials research, sustainment, and newbuild programs.

“With a net cash position and no term debt, we are well positioned to deliver on future orders across the business as they are awarded.”

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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 40 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.

More information can be found at www.matrixengineered.com