

31 August 2020

Matrix FY20 Financial Results

Summary

- Revenue of \$27.4m (FY19: \$38.2m), reflecting the dramatically weaker oil price and COVID-19 global impacts on the oil/gas industry from Q3 FY20
- Underlying EBITDA¹ loss of \$3.7m (FY19: \$0.9m underlying EBITDA loss)
- Net Loss After Tax of \$64.5m, after asset impairments and deferred tax asset write down
- Solid financial position, ending FY20 with \$14.7m net cash (30 June 2019: \$2m net cash) and no trade or term debt
- Strategy targeted at building sustainable revenue by pivoting towards brownfields oil and gas project maintenance and sustainment work in addition to diversification of core competencies with application into resource and defence industries
- Maintaining production capability to deliver traditional buoyancy product lines as markets improve
- Independent strategic review underway to consider options to drive future shareholder value

Matrix Composites & Engineering Ltd (ASX:MCE, “Matrix” or the “Company”) announces its financial results for the 12 months ended 30 June 2020 (FY20).

As advised on 15 May 2020, delays, deferrals, and reduced capital expenditure in the oil and gas market due to a weak oil price and COVID-19 global impacts drove a material slowdown in revenue and orders in Q4 FY20, with FY20 revenue of \$27.4 million (FY19: \$38.2 million). The reduction in revenue resulted in an underlying EBITDA¹ loss of \$3.7 million (FY19: \$0.9 million).

Matrix reported a statutory Net Loss After Tax of \$64.5 million (FY19: \$8.7 million NPAT loss). The FY20 NPAT loss was driven by one-off, non-cash adjustments to the carrying value of Matrix’s assets, principally including asset impairments (\$36.3 million split proportionally across plant and equipment, right-of-use asset and capitalised development costs) and deferred tax asset write down (\$12.6 million).

¹ As in prior years, Underlying EBITDA excludes foreign exchange losses (FY20: \$0.2m) and non-recurring costs (FY20: \$36.3m non-cash impairment to assets, loss on sale of assets (S&L) \$1.4m, restructure and obsolescence costs \$2.2m).

Matrix maintains full operating capacity through its highly automated, world-class manufacturing facility built in 2010 and located across 85,000m² land at the Australian Marine Complex in Henderson, with the largest hydrostatic pressure testing facility in the Southern Hemisphere and a fully equipped materials testing lab. In addition, Matrix will continue to be able to apply tax credits to reduce cash tax paid against future earnings as market conditions improve.

Matrix Chief Executive Officer Aaron Begley said that, while the challenging market conditions and COVID-19 impacts are expected to continue in H1 FY21, proactive strategic measures have been taken to position the business for the future.

“Strategically Matrix is pivoting towards building a sustainable revenue base that utilises our core capabilities in advanced materials and technology,” Mr Begley said.

“This includes targeting brownfields project maintenance and sustainment work for the Australian LNG and Resources sectors. This work is highly adjacent to our traditional buoyancy products supplied to the oil and gas sector – which we will continue to target – but is less exposed to the cyclical nature of oil and gas projects and associated capital expenditure.

“Matrix is now the exclusive distributor of Humidur Coatings products in Australasia, providing a unique range of corrosion protection coatings that substantially increases service life for installed site infrastructure and materially reduces on-site application processes and time, with application across energy, resources, and defence projects.

“In its first months, Matrix already has approximately \$1 million in orders under storage, distribution and equipment hire arrangements with Australian LNG facility operators.

“With a strong focus on capital management Matrix is positioned to prudently utilise its solid \$14.7m cash position to withstand current conditions, take advantage of growth opportunities, and consider strategic options.”

Strategic review

On 24 July 2020 Matrix announced that in response to the risk of continuing depressed oil and gas conditions and deferrals of traditional oil/gas capital projects for Matrix’s traditional product lines, the Board had initiated an independent strategic review to consider options to drive future shareholder value.

The strategic review is assessing various corporate, strategic and business options, including organic and inorganic growth pathways, as well as ownership and equity structure considerations, amongst other scenarios, with a view to ensuring that Matrix has the most appropriate strategy and business plan in place in response to current and expected future conditions. Azure Capital Pty Ltd has been assisting with the strategic review as Matrix’s independent corporate adviser. Matrix anticipates reporting to the market and shareholders on the strategic review by the 2020 AGM.

Matrix also advised on 24 July 2020 that it is looking to bolster its Board consistent with the outcome of its strategic review. Matrix confirms it has mandated a national director recruitment agency to undertake a nationwide director search process.

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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 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