



Half Year Result 2015

MATRIX COMPOSITES & ENGINEERING

19 February 2015

Agenda

- Overview
- Financial Results
- Operational Review
- Strategies & Outlook



Overview – 1H FY15

Financial

- Revenue \$78.5m ↑ 20.7% on pcp
- EBITDA \$13.6m ↑ 77.2% on pcp
- NPAT \$3.9 ↑ 567% on pcp
- Dividend of 2.0 cps and on-market buyback initiated
- Capital expenditure \$2.6m ↑ 10.4% on pcp
- Cash from Operations \$15.2m ↑ 282% on pcp, Net Cash of \$7.2m

Operating

- OHS: 1.4 Group LTIFR. Henderson facility LTI free since May 14
- US\$90m+ CDE contracts awarded in 1H
- Manufactured and delivered one of the world's largest installation buoyancy structures (150MT) to Heerema
- Centralizer sales & market share continued growing in 1H
- Continued focus on production and materials efficiencies

Strategic

- ^ share of RB market in newbuild/aftermarket segments
- ^ share of subsea production buoyancy market
- Continue with current distribution strategies for well construction products focusing on onshore horizontal completions market
- ^ offshore rig and fixed installation service and maint. market
- Established riser service centre in Karratha – riser aftermarket

Overview – Lower global oil prices

WEAKER MACRO INDICATORS

- Significant fall in global oil prices
- Reduced floater day rates

GLOBAL INDUSTRY REACTION

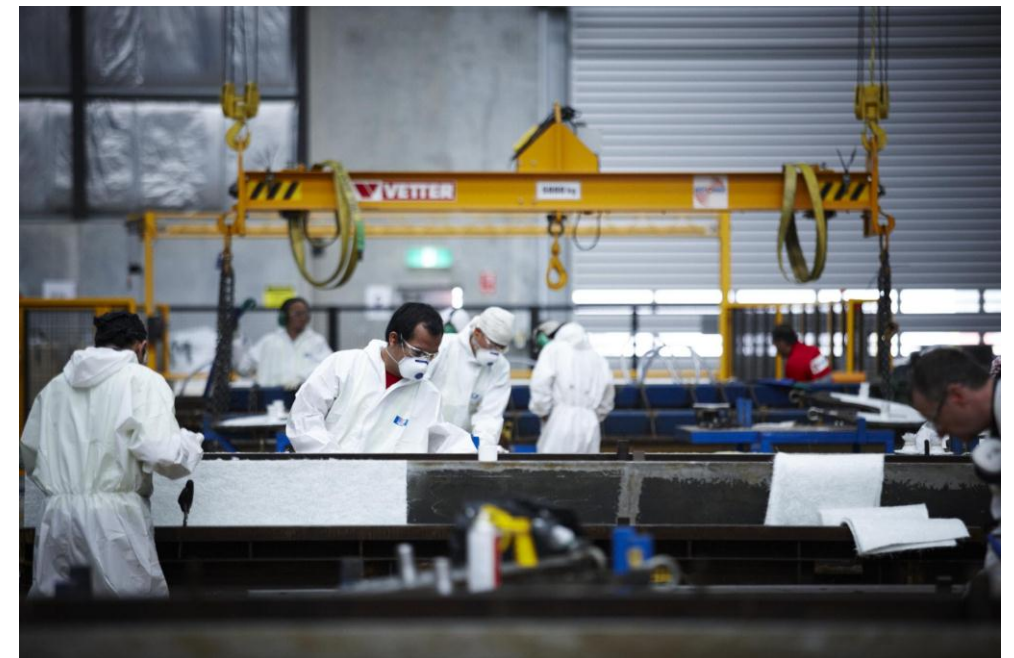
- Accelerating the retirement/ cold stacking of older floaters > 30 years to rebalance supply with demand
- Any impact on SURF market likely to be delayed
- Reduced onshore drilling activity in North America (NA)
 - Less impact on targeted horizontal drilling sector
- Potential delays to drillship deliveries



Overview – Lower global oil prices

IMPACT ON MATRIX

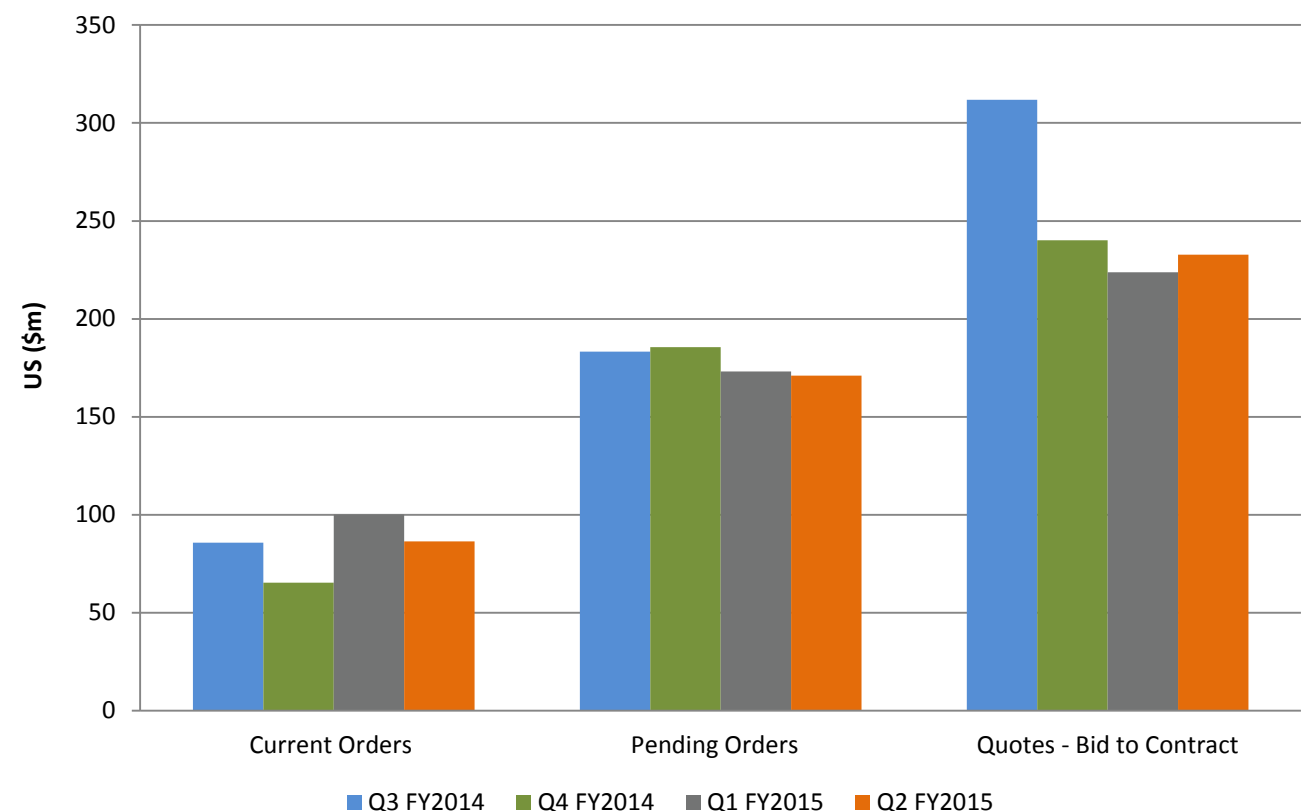
- Continuing to secure available contracts for buoyancy products
- Maintaining output at optimal rates until clarity over future floater building activity
- Reviewing overhead and operational structure
- Reviewing capex requirements



Overview – Order book & pipeline

- US\$90m+ orders announced in 1H FY15
- Order backlog notionally supports production until Q1 FY16
- Order conversions continued despite slowing market conditions
- Potential for delays in floater deliveries
- Quotation activity has declined although there remains a significant volume of work still to be awarded

Order Book & Pending Orders (US\$m) as at 31 Dec 2014



Overview – Operations

PRODUCTION

- Production 'flexed' down until clarity of future floater building activity
- Continued focus on production and materials efficiencies

OHS/ QUALITY

- 1.4 Group LTIFR (as of 31 December 2014)
- LTI free since May 2014 at the Henderson facility

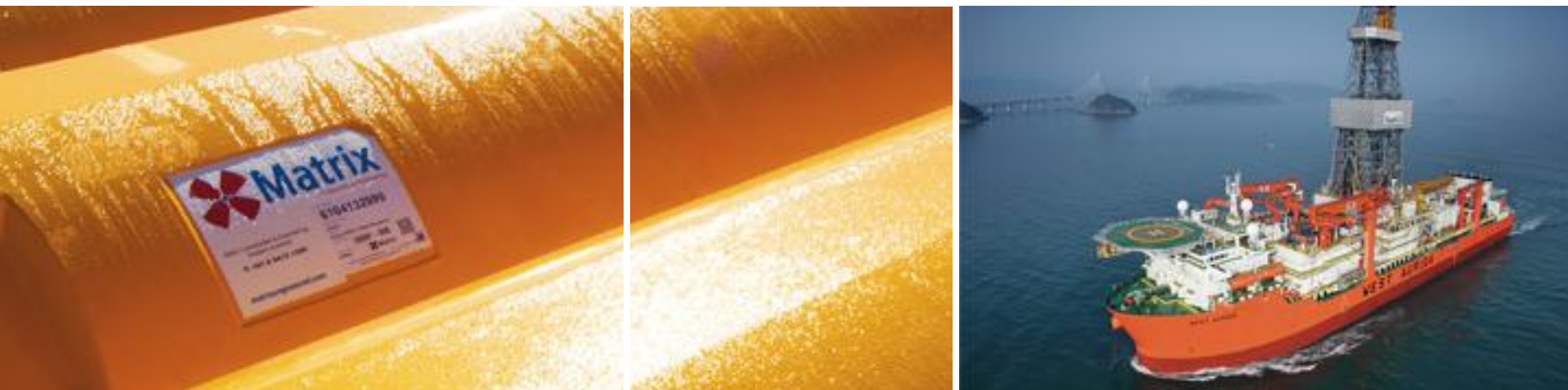
Overview – Capital Management

DIVIDEND PAYMENT

- Dividend Payment of 2.0 cents per share
- Supported by earnings outlook, strong liquidity and stable balance sheet metrics

ON-MARKET SHARE BUYBACK

- Open on 6 March 2015
- Board believes company shares trading at level that undervalues underlying earnings and future prospects of business
- Up to 9.4 million shares, pursuant to the 10/12 rule



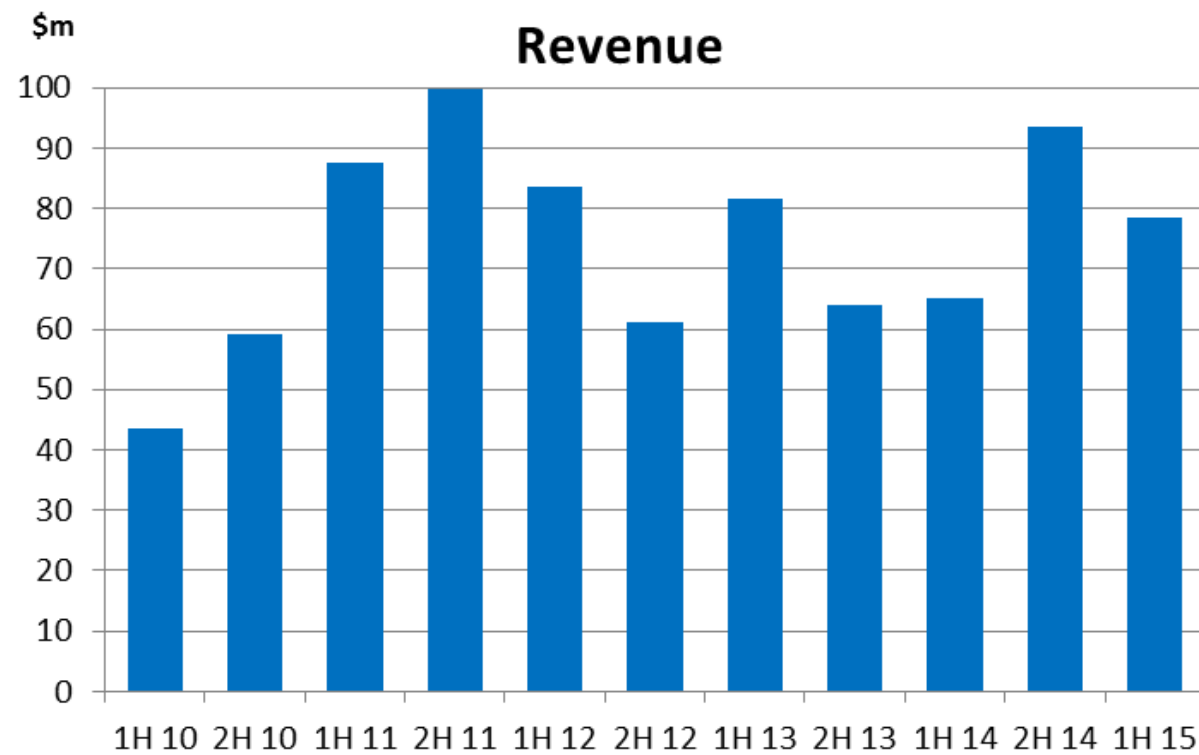
1H FY15 Financial Results

CFO – PETER TAZEWELL

Key Financial Metrics

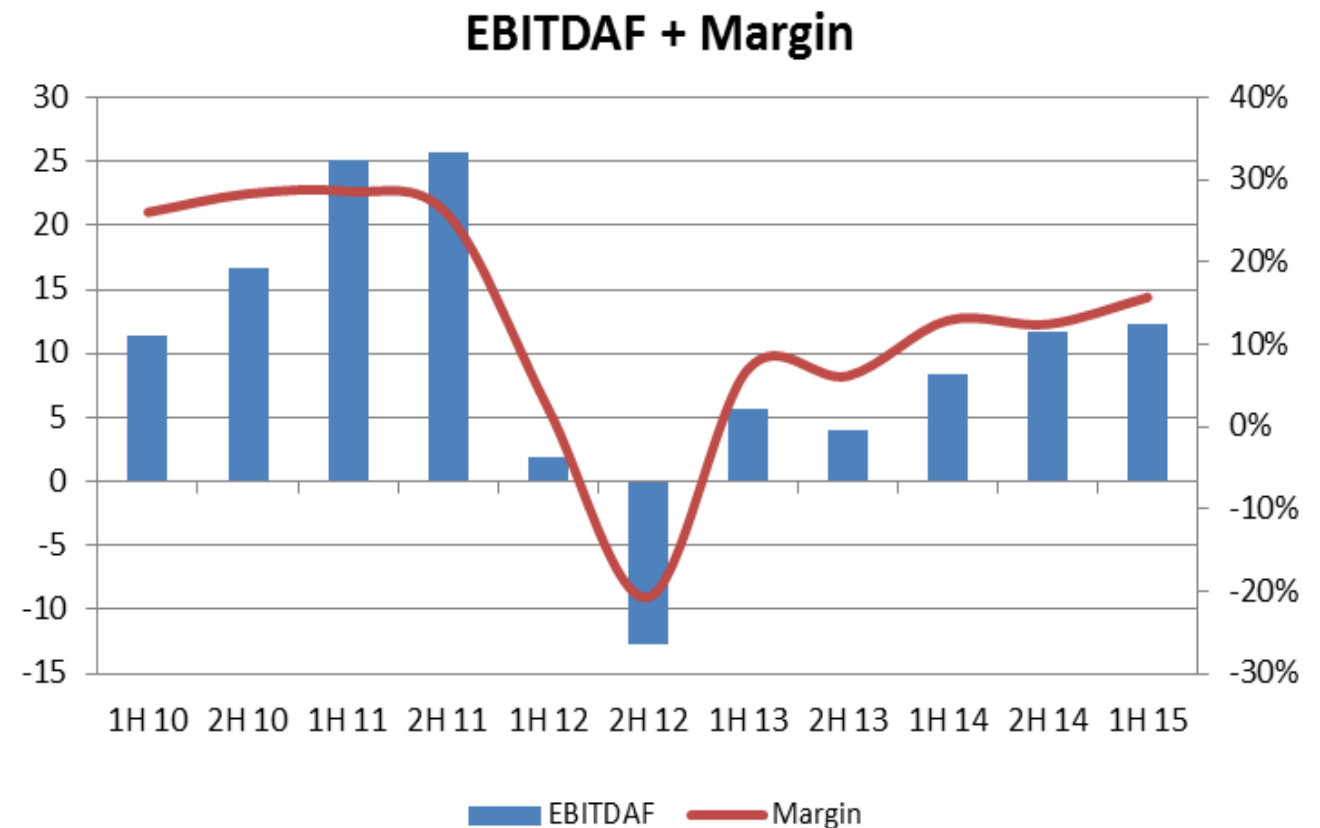
		1H FY15	FY2014	1H FY14	HoH Var
Revenue	\$m	78.5	158.6	65.1	20.6% ↑
EBITDAF	\$m	12.3	20.0	8.4	46.5% ↑
EBITDA	\$m	13.6	18.6	7.7	76.7% ↑
Net profit/(loss) after tax	\$m	3.9	3.0	0.7	n/a
Earnings per share	c	4.1	3.2	0.7	n/a
Dividends per share	c	2.0	nil	nil	n/a
Gross Debt	\$m	10.0	12.9	16.1	37.9% ↓
Adjusted Net Cash/(Debt)	\$m	7.2	(6.4)	(14.9)	n/a
Interest Cover	times	21.6	9.6	6.6	227.3% ↑
Operating Cash Flow	\$m	15.2	16.5	5.4	n/a
Employees		350	394	354	% ↑
Backlog	US\$m	86.0	65.0	80.0	% ↓

Financial Overview



REVENUE ANALYSIS

- Adverse impact from lower buoyancy production
- Significant revenue upside from declining AUD



MARGIN IMPROVEMENT

- Raw material efficiency
- Declining AUD
- USD unit pricing stabilised

Balance Sheet

\$m	1H FY15	FY2014	1H FY14
Cash	29.1	23.2	21.9
Trade receivables	13.2	20.0	17.4
Other receivables	9.7	9.8	12.1
Inventory	17.0	18.8	20.4
Property, plant & equipment	94.9	99.9	101.6
Intangible assets/deferred tax	15.5	16.2	17.8
Other assets	1.9	0.9	0.9
Total Assets	181.3	188.8	192.0
Trade payables	15.3	20.0	16.0
Progress billing	11.9	16.7	21.2
Financial liabilities	13.2	13.4	20.0
Provisions	1.7	1.9	1.6
Total Equity	139.2	136.8	133.2
Adjusted net cash/(debt)	7.2	(6.4)	(15.4)
Net working capital	12.7	11.9	12.7
Gearing (ND/E)	nm	4.7%	11.6%

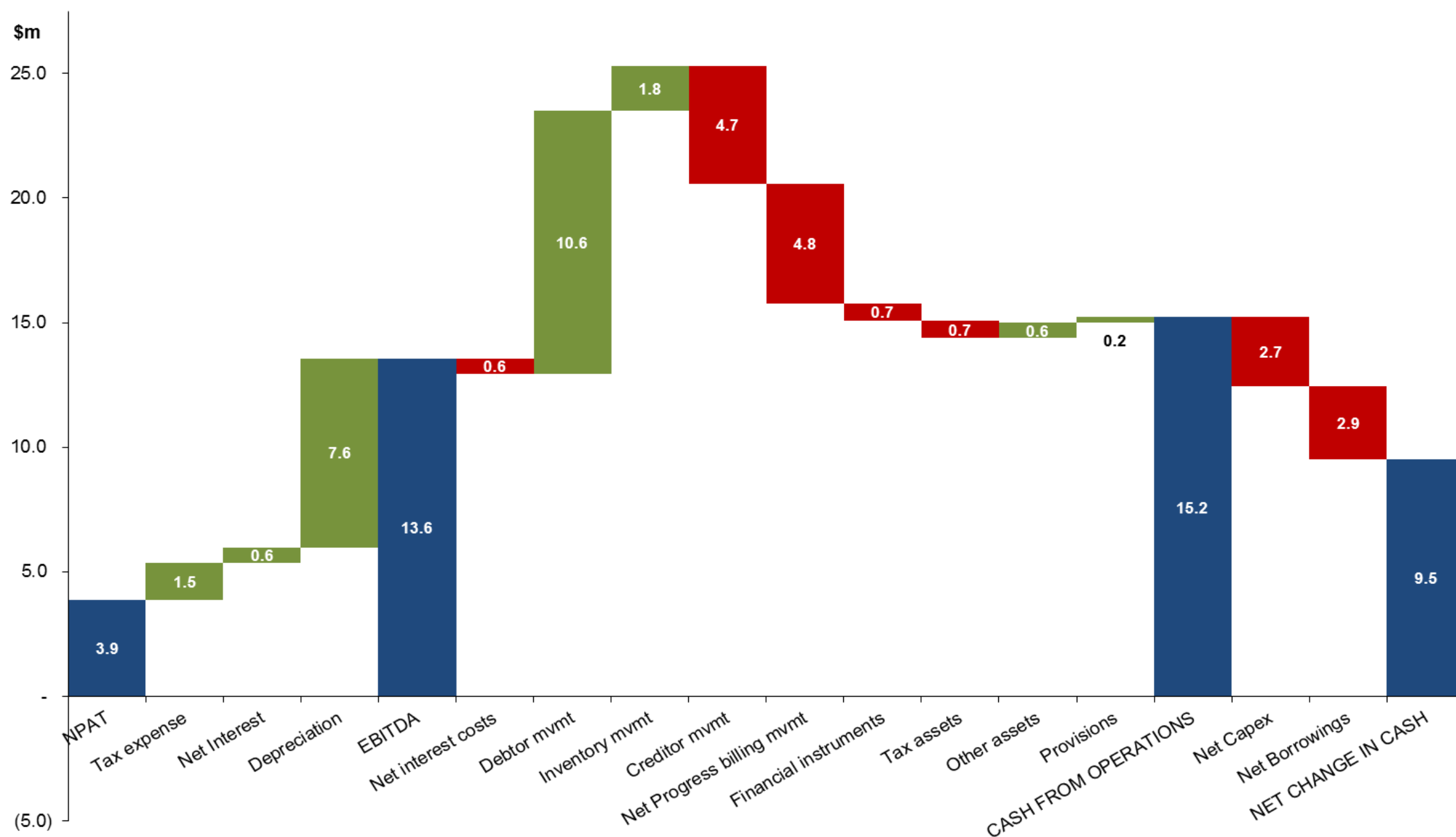
- Strong working capital metrics (debtors + other receivables)
- Reduced inventory holdings
- Reduced payables
- Reduced debt
- Low gearing

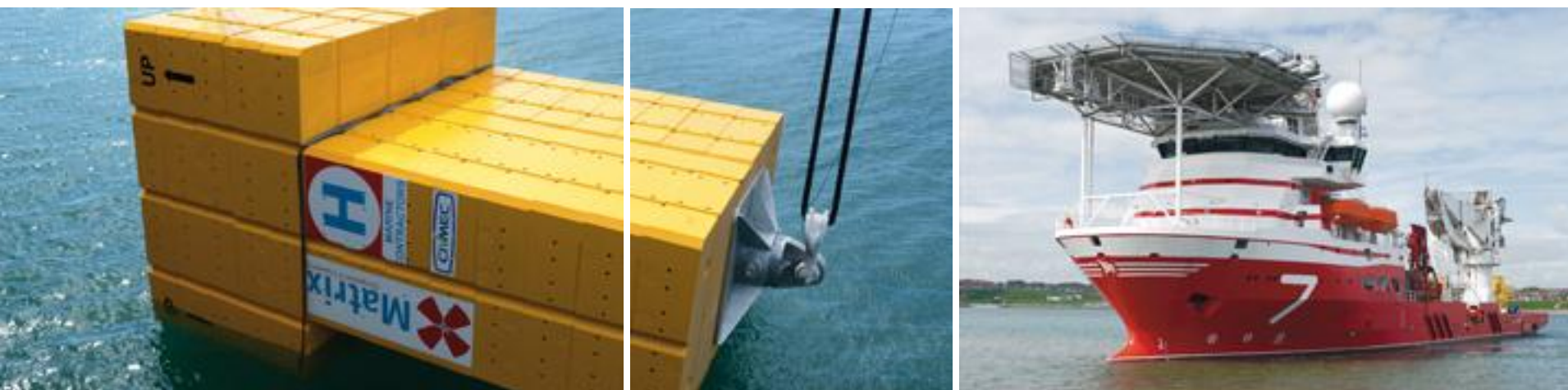
Debt & Banking

- New flexible 3 year debt facility negotiated in November 2014
- Simplified covenant structure
- Undrawn available facilities of US\$40 million – significant available liquidity
- Gross debt reduced to \$10 million
- Net cash at 31 December 2014 of \$7.2 million

\$m	1H FY15	FY14	1H FY14
Cash	29.1	19.5	16.1
Restricted cash	-	3.7	5.8
Progress billing	(11.9)	(16.7)	(21.2)
Gross Financial debt	(10.0)	(12.9)	(16.1)
Adjusted Net Cash/(Debt)	7.2	(6.4)	(15.4)

Cash Flow from Operations





Operational Review

CEO – AARON BEGLEY

Offshore – Capital Drilling Equipment

- US\$90m+ contracts awarded 1H FY15
 - ↑ 35% over 1H FY14
- Large backlog of newbuilds to be completed in the next 2-3 years means order conversion will continue, although market slowing
- Competitive marketplace – assisted by falling AUD and plant production efficiencies
- Replacement market for risers > 10 years old will continue to grow
- Continued R&D on materials technology to improve riser buoyancy systems



SURF & Subsea Solutions

- Continued revenue growth in SURF product line
- Delivered one of the world's largest installation buoyancy structures (150MT) to Heerema Marine Contractors
 - Showcases product scale and complexity
- Advanced the international qualification process with operators, EPIC contractors and OEMs
- Delivered largest SURF contract to date in 1H FY15



Well Construction Products

- Centralizer sales continued growing in 1H FY15
- Significant reduction in the North American (NA) rig count
- Horizontal completions market (target market) less affected than market for vertically drilled wells
- Size of market readjusting to more sustainable levels similar to 2011
- Matrix increasing its share of a smaller market



Offshore Services

- Established a riser service centre in Karratha, WA to access the large domestic riser aftermarket
- Secured a number of contracts with international drilling contractors

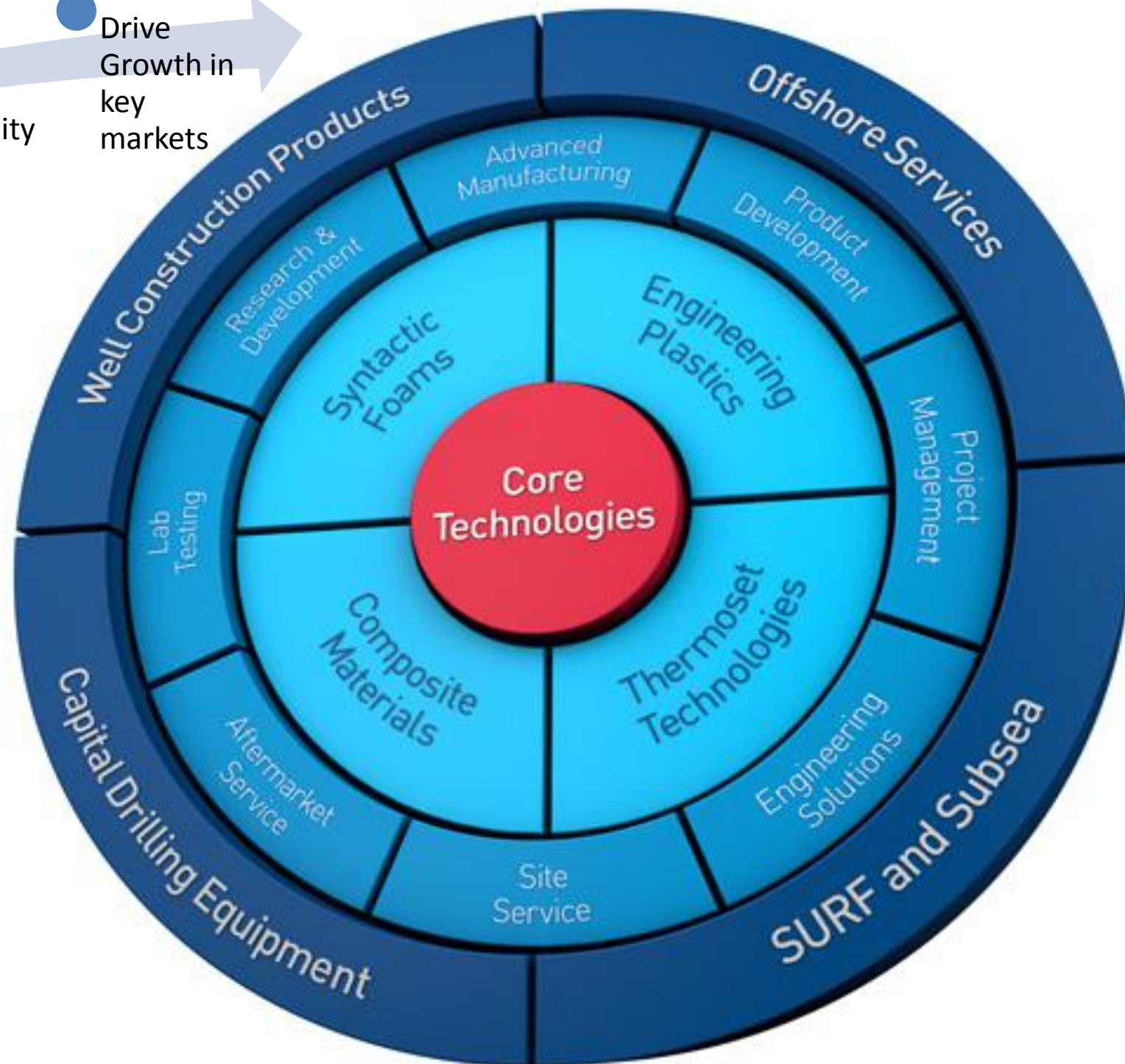
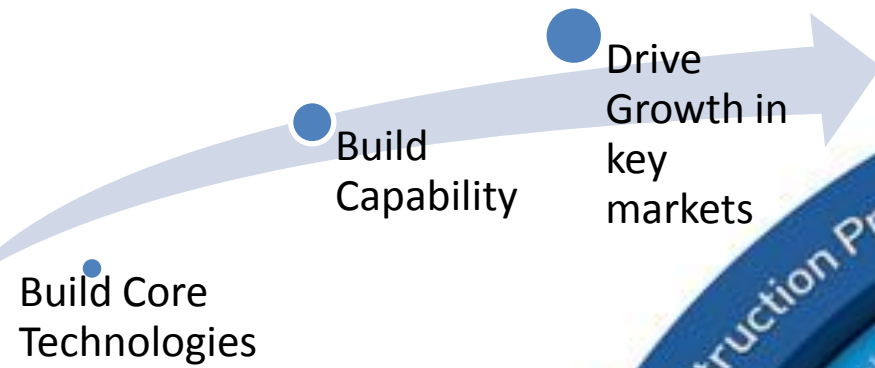




Strategies & Outlook

CEO – AARON BEGLEY

Strategies



Outlook - CDE

NEWBUILD MARKET

- Backlog of committed newbuilds to 2018 (Graph 2)
- Marketed utilisation rates predicted to have fallen sharply in 2015/2016 before rising slowly in 2017 (Graph 1)

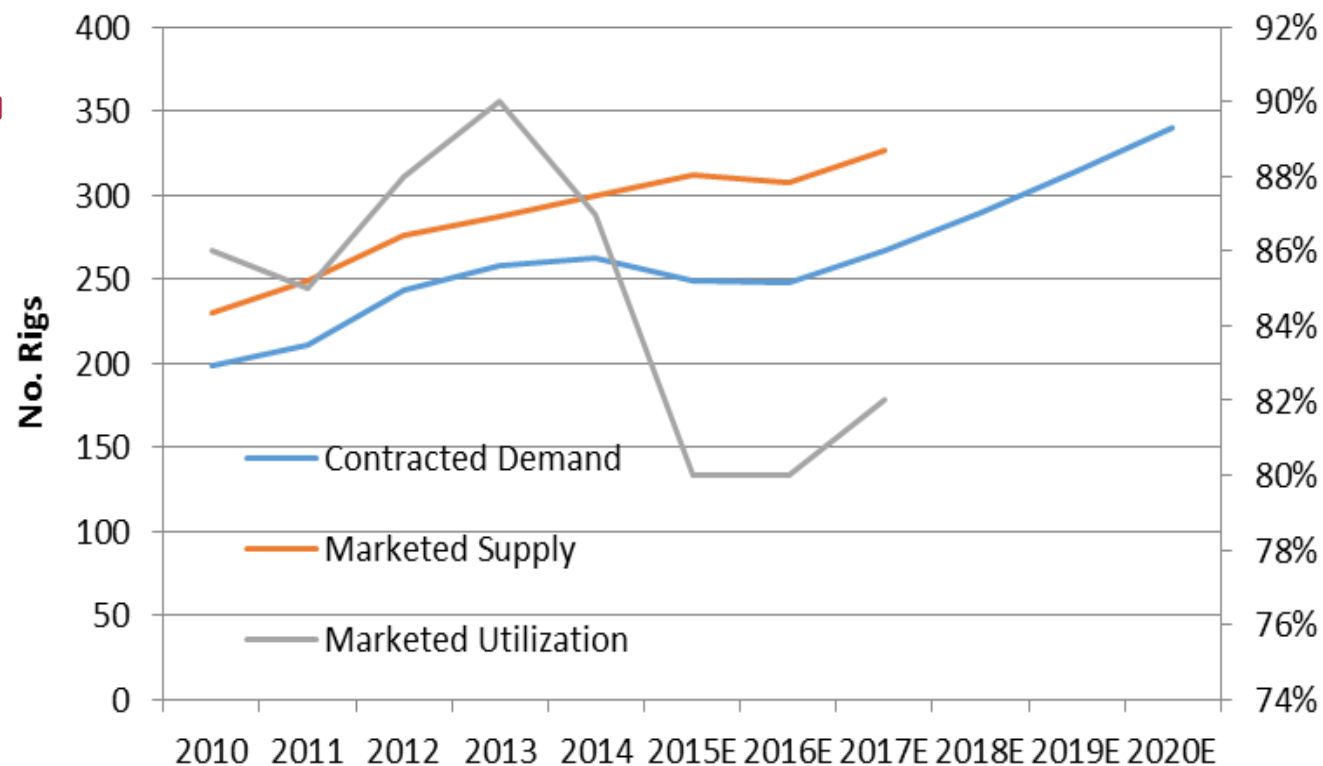
REPAIRS/ REPLACEMENTS

- 64% of the global MODU fleet > 5 years old (Graph 3)
 - Supports growth for repair/ replacement DRB
- Expect continued growth from buoyancy replacement on vessels > 5 years old
- MODU > 30 years old are being scrapped to rebalance supply/ demand expectations

Outlook – SURF & Subsea Solutions

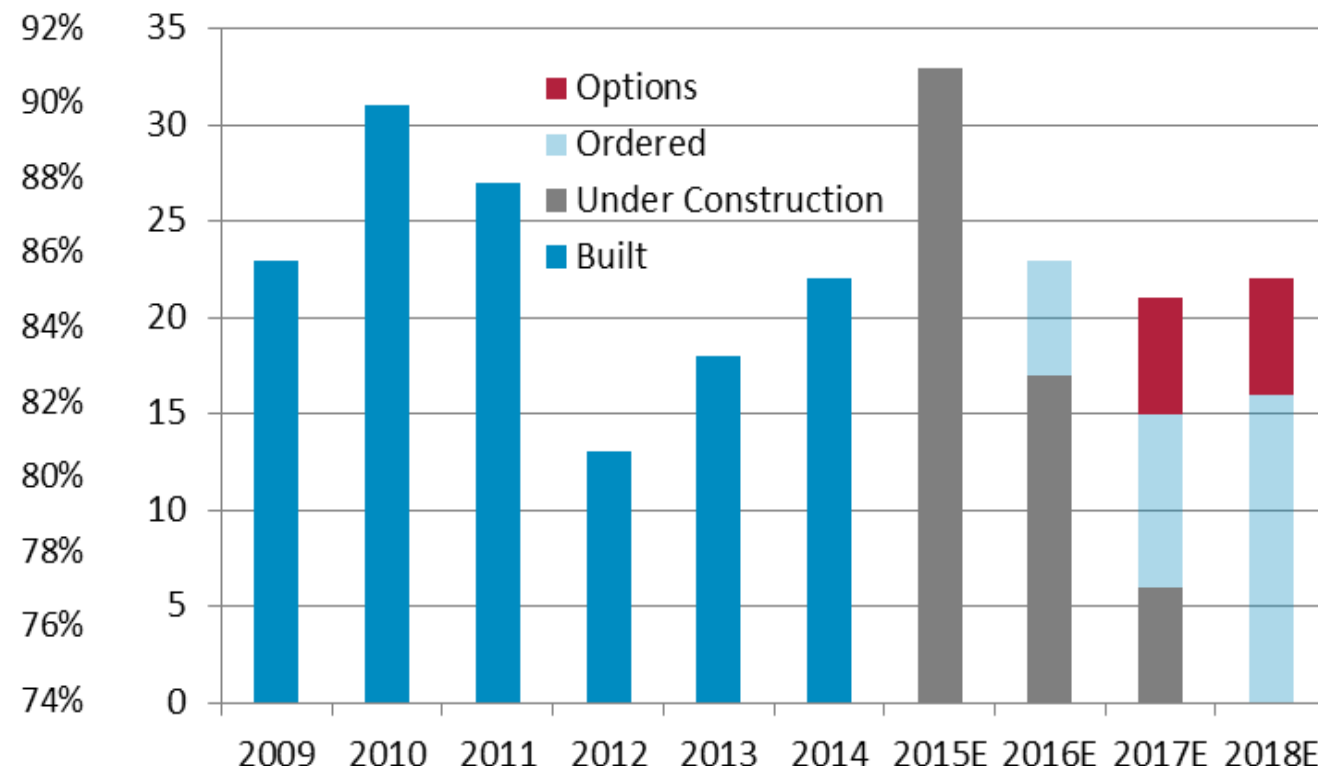
- Large forecast deployment of 115 subsea flowlines and umbilicals in 2015, followed by a minimum of 100 subsea flowlines and umbilicals until 2018 (Graph 4)
- Large number of committed projects
 - Some projects in the planning stage may be delayed although timing and potential impact unclear

Graph 1 – International Floater Supply – Demand



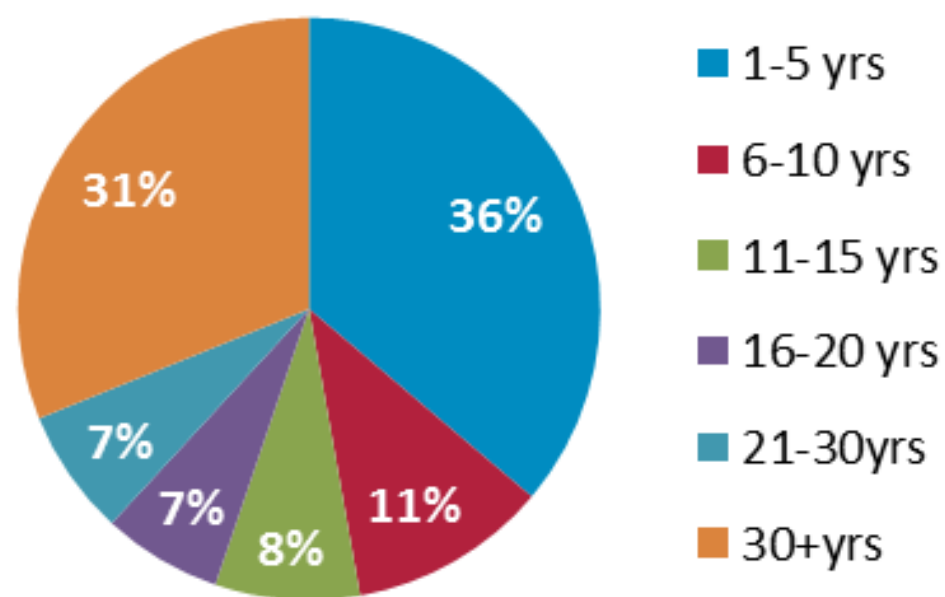
Infield, February 2015

Graph 2 – World No. Confirmed Newbuilds

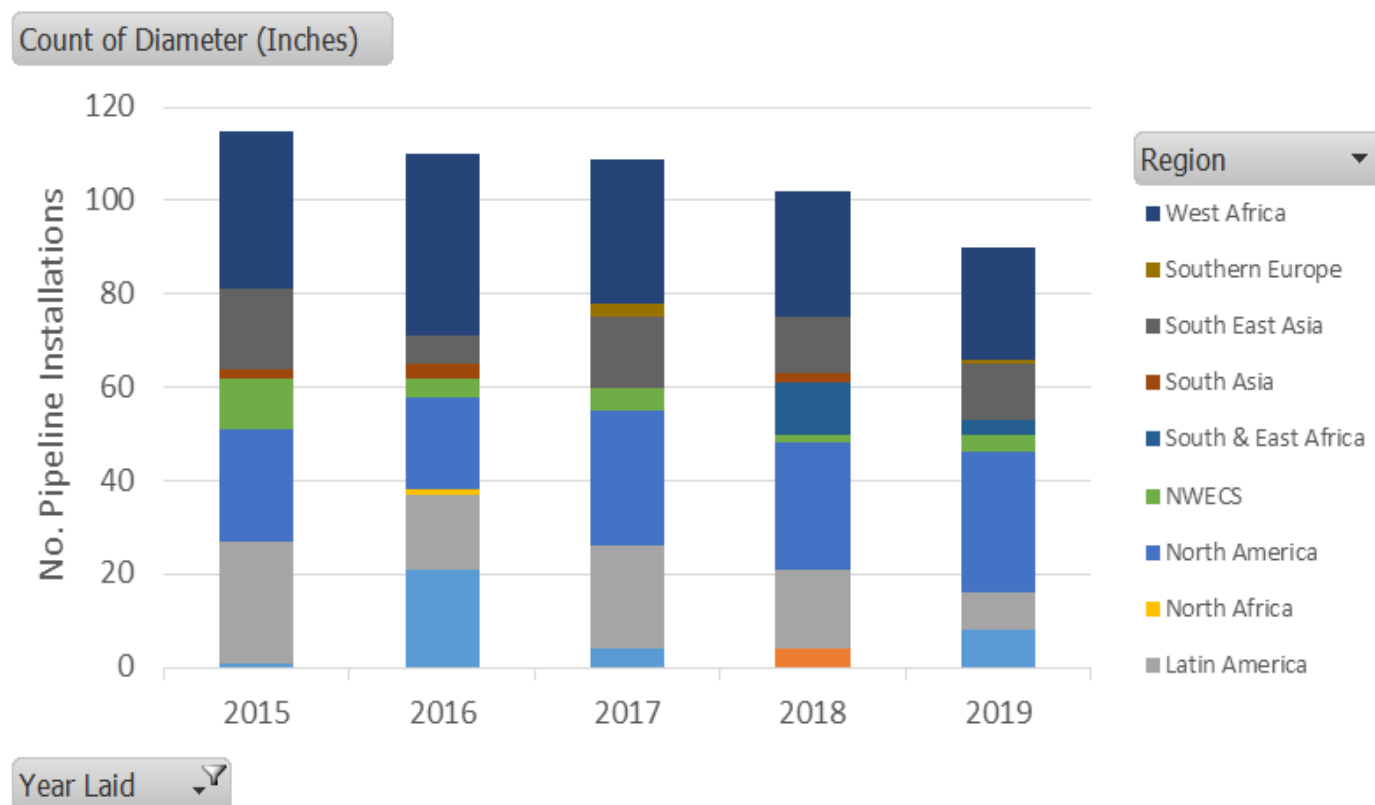


Company Data, February 2015

Graph 3 – Age of MODU fleet



Graph 4 - Pipe Installations by Year

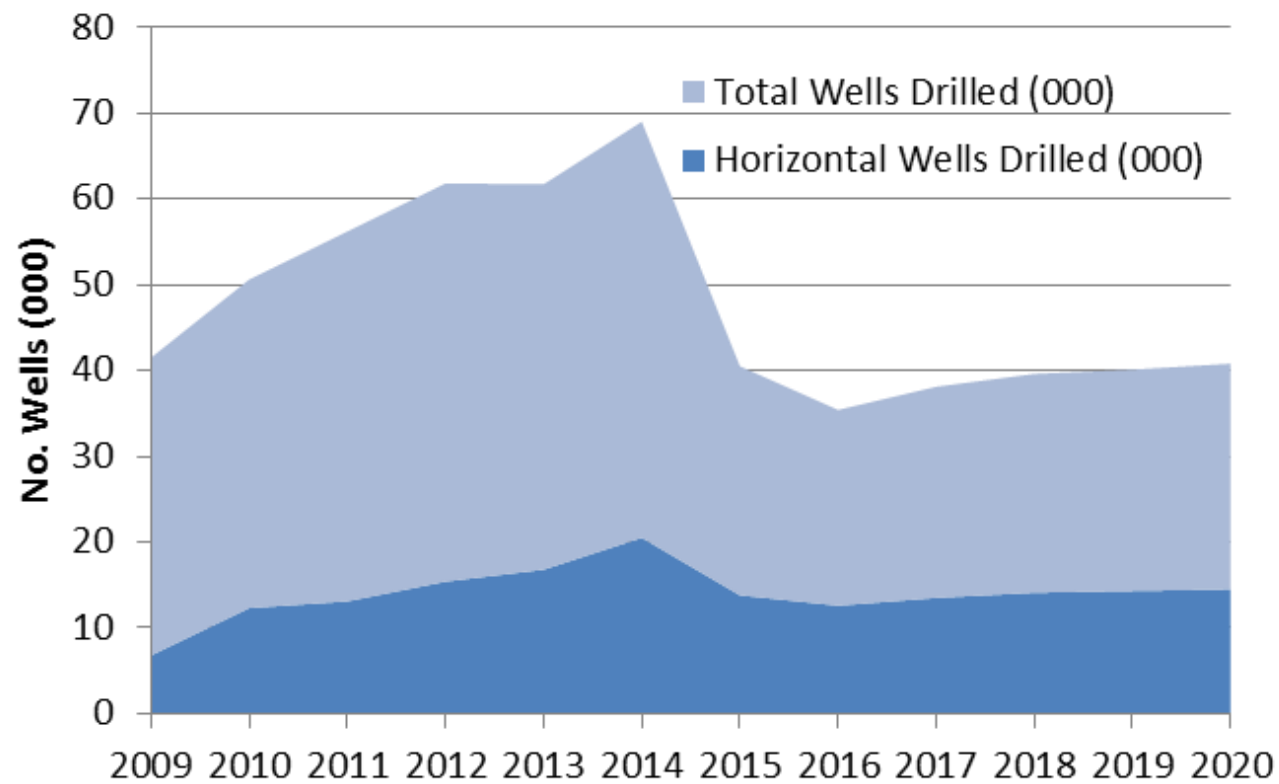


Infield, February 2015

Outlook – Well Construction

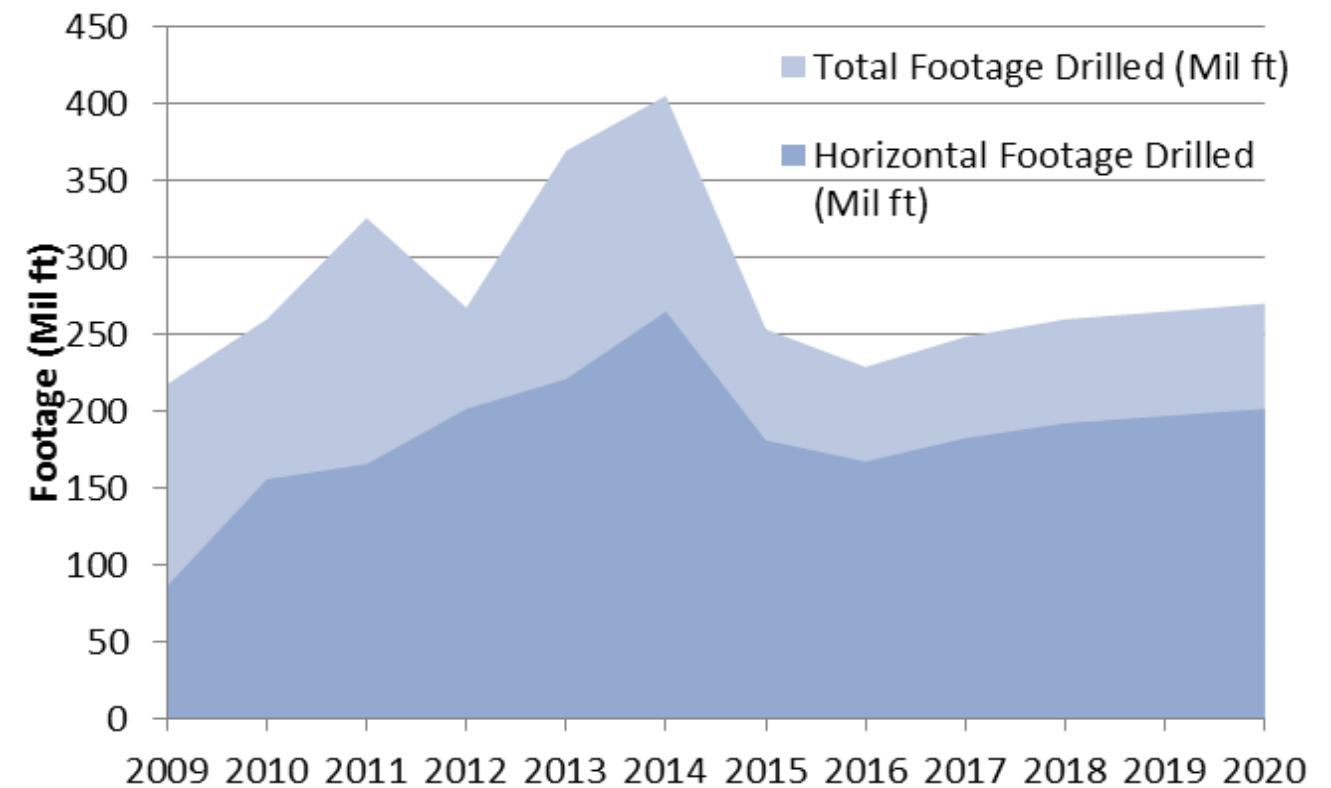
- Significant fall in NA rig count with ↓ oil price
- Total horizontal wells and footage drilled in the US expected to fall from their peak in 2014 to more sustainable levels in 2015 (similar to levels in 2011). From 2016 wells and footage is expected to grow steadily through to 2020 (Graph 5)
- Size of target market remains attractive

Graph 5 – US Drilling & Production Outlook – Total & Horizontal Wells Drilled



Baker Hughes, Spears & Associates, January 2015

Graph 6 – World Drilling & Production Outlook – Land & Offshore



Summary

- EBITDA \$13.6 million (↑ 76.7%) at 17.4 per cent EBITDA margin
- Revenue of \$78.5 million (↑ 20.6%) on increased production
- Dividends resumed at 2.0 cents per share and on-market buyback initiated
- Balance sheet – metrics stable with ongoing debt reduction
- Debt refinanced, net cash and strong liquidity position
- Production output flexed down until further market clarification
- Current order book supports production until Q1 FY16
- Order conversion for drilling and well construction products likely to be delayed
- Short term uncertainty likely to provide near term growth opportunities

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