

25 October 2019

Matrix enters sale and leaseback agreement for Henderson facility

Highlights:

- Realisation of Matrix's buildings and leasehold improvement assets through a sale and leaseback arrangement for its Henderson facility
- Sale to generate cash proceeds of \$20 million
- Funds will strongly position Matrix to take advantage of opportunities for future orders in re-emerging oil and gas markets and under the Company's diversification strategy

Matrix Composites & Engineering Ltd (ASX:MCE, "Matrix" or the "Company") is pleased to announce it has entered into a sale of its building and leasehold improvement assets, with an associated assignment and leaseback of the property at its Henderson facility.

Matrix has signed a contract with leading Western Australian property investment company Australasian Property Investments Limited ("APIL") that provides APIL with an exclusive 30-day option to acquire Matrix's buildings and leasehold improvement assets for \$20 million. Under the leaseback arrangement, APIL would be assigned the existing long-term ground lease from Landcorp, subject to the grant of a complementary sub-lease of the total land, buildings and leasehold improvement assets back to Matrix. The option period enables APIL to formally secure the commitment of a syndicate of its private clients to the venture.

APIL will pay Matrix a \$100,000 deposit, having already undertaken extensive due diligence with respect to the proposal as to the site, the assets to be acquired, the contractual arrangements, Matrix as a sublessee, and APIL's prospective investment return and syndicate composition.

If the option is exercised, a further \$900,000 deposit is to be paid, with final settlement contractually required to take place within 30 days of the option exercise. APIL will sub-lease the facility back to Matrix for a 20-year period, with options for Matrix to extend the tenancy arrangements for a further term of 15 years. The building lease payments will total \$1.7 million per annum, subject to ongoing bi-annual rental uplift and five yearly ratchet market rental reviews, reflecting an effective initial yield of 8.5 per cent on the purchase price.

Matrix CEO Aaron Begley said proceeds from the sale would ensure Matrix is strongly capitalised and positioned to take advantage of opportunities for future orders as the improvement in the oil and gas market is expected to gather momentum.

“Prior to constructing the Henderson facility we had considered involving a property investor and leasing the buildings, so it is pleasing we have been able to restructure the land lease to deliver on that original strategy,” Mr Begley said.

“This transaction allows our shareholders’ capital to be deployed into higher earning active business growth opportunities rather than being tied to low yield fixed infrastructure-style assets.

“We are delighted to be partnering with a property and asset infrastructure company of APIL’s standing and market presence as Matrix pursues its product and business diversification strategy as well as continues to service re-emerging demand from its core oil and gas customer and industry base.”

The contract follows a sales process run by Colliers International, as flagged at Matrix’s FY2019 results, and extensive due diligence conducted by APIL. The transaction will represent APIL’s 29th property acquisition and takes the total value of its past and present portfolio past \$1 billion.

Upon and subject to completion of the transaction, Matrix expects to recognise a non-cash impairment of approximately \$7 million, reflecting the difference between the sale price and the current carrying value of the buildings and leasehold improvements on Matrix’s balance sheet.

Matrix will update the market on the sale and leaseback process as it progresses.

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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