

MATRIX POSITIONED FOR STRONG FY24, DELIVERING HALF YEAR REVENUE AND UNDERLYING EARNINGS GROWTH

23 FEBRUARY 2024

OVERVIEW

- Revenue of \$26.7m for 1H FY24 (1H FY23 \$11.8m), with expected full year revenue of ~\$85m, underpinned by +\$70m Subsea buoyancy contracts already secured for FY24.
- Underlying EBITDA \$0.6m¹ (1H FY23: \$2.3m loss), with significant growth expected for 2H FY24.
- Reported Net Loss After Tax of \$3.8m (1H FY23: \$10.0m profit, including reversal of prior asset impairments).
- Strong net operating cash inflow of \$9.0 million, increasing cash on hand at 31 December 2023 to \$23.3m (30 June 2023 \$20.0m).
- Solid orderbook backlog at 31 December 2023 of \$84m, extending work into FY25.
- Long-term outlook remains positive supported by robust subsea sector outlook, with increasingly active offshore oil and gas market driving improved demand, and continuing revenue from Corrosion Technologies and Advanced Materials divisions.

Matrix Composites & Engineering Ltd (ASX: MCE, "Matrix" or the "Company") is pleased to announce its results for the six months ended 31 December 2023 (1H FY24).

Matrix generated revenue of \$26.7 million for 1H FY24 (1H FY23: \$11.8 million), reporting significant growth on 1H FY23, and consolidating the higher revenue base achieved in 2H FY23.

The Company expects to see a further step up in revenue in the second half, with secured Subsea work for FY24 of at least \$70 million (including work completed in the first half). With additional recurring revenue from the Corrosion Technologies business and Advanced Materials, full year revenue is expected to total around \$85m for FY24. The weighting towards 2H FY24 reflects the timing of contract awards and client requirements.

The strong uplift in 2H FY24 revenue is expected to build upon the positive underlying EBITDA result achieved in 1H FY24 and drive significant earnings growth in the second half.

Matrix Chief Executive Officer Aaron Begley said the Company has seen a noticeable improvement in sentiment in the oil & gas sector over the last 18 months.

"This has provided a material uplift to Matrix's revenue and earnings, with the Company's strong position in the Subsea buoyancy market providing a clear pathway for continued sustainable growth, in line with improving sector activity.

"Matrix has consolidated the elevated revenue levels we saw in the second half of FY23 and has delivered a solid start to what we expect will be a much stronger financial year for both revenue and earnings delivery. This is underpinned by at least \$70 million of secured Subsea work that is due for completion in FY24, with around two thirds of this falling into the second half.

"While the Oil & Gas sector will be a key driver of growth and earnings recovery in the medium term, we have also expanded our capabilities and technology across the renewable energy,

¹ Underlying EBITDA 1H FY24 excludes FX loss \$0.9m and non-cash fair value (FV) accounting adjustment of \$0.2m. 1H FY23 excludes FX gain \$0.1m, non-cash FV accounting adjustment \$1.1m and impairment reversal of \$15.8m.

mining, and mineral processing sectors, and we expect these to increasingly feature in our future growth."

Delivery of Subsea projects was the main focus of activity during 1H FY24, as Matrix continued to execute on the more than \$90 million of contracts awarded since December 2022. This included Subsea Umbilicals, Risers & Flowlines (SURF) products for Saipem destined for Brazil, drilling riser buoyancy modules for TransOcean, a deepwater riser buoyancy system for a research vessel, and subsea buoyancy equipment for Subsea 7 that will extend into the second half.

Work in Corrosion Technologies continues to deliver a recurrent revenue base and Advanced Materials is further emerging. Matrix was qualified by Aramco and received an initial ~\$1.0m order in 1H FY24. The Company also completed initial production of green hydrogen equipment parts for Fortescue and has expanded into the civil construction market, with more than \$2 million of orders expected to be delivered over FY2024.

Matrix recorded positive underlying EBITDA of \$0.6 million for 1H FY24 (1H FY23: \$2.3m loss) and a Net Loss After Tax of \$3.8 million (1H FY23: \$10.0m profit after a \$15.8m impairment reversal). As noted, the Company expects a significant underlying earnings / EBITDA step up in 2H FY24.

Operating cash inflow was \$9.0 million, compared to a net outflow of \$1.5 million in 1H FY23 and a net outflow of \$9.1 million for the full year FY23. The significant operating cash flow, including a positive working capital movement, increased cash on hand at 31 December 2023 to \$23.3 million (30 June 2023 \$20.0m). Net cash including the Convertible Note was \$14 million at 31 December 2023. Matrix has no other long term debt.

Outlook

FY23 was a turning point for Matrix's presence in the SURF Market with more than \$90 million of revenue secured across three projects in the last 18 months. Further projects of similar scale are being pursued by the Company for 2H FY24 and FY25 production. Circa \$300 million of competitive quotations are yet to be awarded in this market.

There has been an improvement of sentiment in the oil & gas sector, and while the translation of this to capital expenditure in the drilling market has been slow, it has been building. There is an installed base of around \$2 billion of buoyancy equipment in the field, and improving market conditions for drillers with rig utilisation and day rates on the rise should also drive demand for replacements and upgrades. Matrix has provided around \$100 million of competitive outstanding quotes to the drilling sector.

Matrix's backlog of \$84 million as at 31 December 2023, sees the Company holding its largest orderbook since 2016. With \$70 million of revenue secured for FY24, and additional recurring revenue from Corrosion Technologies and Advanced Materials, the Company is firmly positioned to deliver strong year on year revenue growth for the full year, expected to total approximately \$85 million. Furthermore, the higher revenue base and the Company's focus on operational efficiency during FY23 support a strong uplift in earnings expected for FY24.

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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 20 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.