

26 February 2021

Matrix 1H FY21 Financial Results

Overview

- Revenue of \$8.1m for the half (1H FY20: \$22.6m), as Matrix begins recovery from weak oil price and COVID-19 global impacts on the oil and gas industry
- Improved performance from the second half of FY20 with revenue up 69%
- Underlying EBITDA loss of \$2.2m (1H FY20: \$1.2m)
- Net Loss After Tax of \$7.0m (1H FY20: \$4.2m loss)
- Maintained sound financial position post-Humidur acquisition, ending half with \$11.5m cash (30 June 2020: \$14.7m cash) and no trade or term debt facility liability
- Maintaining capability to deliver traditional buoyancy and oil and gas market product lines as COVID-19 situation improves
- Tangibly progressed strategic pivot to build sustainable revenue from brownfields OPEX following strategic review
- Secured new agreements and contracts in both the energy and resources sectors to advance this strategy

Matrix Composites & Engineering Ltd (ASX:MCE, "Matrix" or the "Company") announces its results for the six months ended 31 December 2020 (1H FY21).

Matrix reported revenue of \$8.1 million for 1H FY21, a sharp decline from the same period a year prior (1H FY20: \$22.6 million), stemming from the dramatically weaker oil price and COVID-19 impacts on the global oil/gas industry starting from the third quarter of FY20.

However, the Company has pleasingly demonstrated improved performance and recovery from the second half of FY20 where revenue for 1H FY21 rebounded to \$8.1 million, from the 2H FY20 result of \$4.8 million.

Despite the challenging oil and gas market conditions, the Company's traditional riser buoyancy work was a solid contributor to the business, delivering over \$4 million in revenue for the half.

The improved revenue underpinned a reduced underlying EBITDA loss of \$2.2 million for the half compared to a \$4.9 million loss in the preceding six-month period (1H FY20: \$1.2 million profit). Matrix reported a Net Loss After Tax of \$7.0 million (1H FY20: \$4.2 million loss).

Matrix has also continued its emphasis on disciplined cash flow and capital management, retaining a sound cash balance of \$11.5 million. This positions the business well for new work and opportunities, such as the recently announced agreements with Woodside, Newcrest and the Western Australian State Government.

Strategic Pivot

The Company's recent positive momentum will continue to be advanced by Matrix's proactive strategic pivot from targeting greenfields CAPEX work to locally-based brownfields OPEX in the oil and gas and resources sectors, amid the challenging market conditions.

This move was validated by an independent strategic review that commenced in July 2020 and was finalised by Matrix's 2020 Annual General Meeting.

In line with this strategy, the Company has pragmatically started securing brownfields OPEX related works that utilise its expertise in advanced materials technology, including distribution of the Humidur coatings products, with a view to such revenue streams becoming a more substantial portion of the Company's revenue going forward.

Matrix Chief Executive Officer Aaron Begley said the Company had established the building blocks for long-term growth under its new strategic pivot during the half.

"It is pleasing to see that the business is beginning to rally, following the significant headwinds that emerged for Matrix and the broader oil and gas sector during the tail end of FY20," Mr Begley said.

"Towards the end of the half we deepened our relationship with Woodside, a key blue chip client, via a technology development agreement, and post-1H FY21 we secured contracts with Newcrest and the WA State Government that will be immediately revenue-generating.

"This highlights our ability to utilise our core expertise of advanced materials technology and manufacturing to deliver a broad spectrum of products and services."

Outlook

By the end of 1H FY20, Matrix was actively targeting a strong near-term opportunity pipeline in its traditional oil and gas market, however the onset of COVID-19 and a steep weakening of the oil price halted or deferred the bulk of these awards. Matrix is optimistic that certain elements of this pipeline will re-emerge once the COVID-19 situation ameliorates globally and there is subsequent recovery in the oil price.

Matrix's sound financial and operational position is enabling it to capture new opportunities under its strategic repositioning, as well as capitalising on prospects in traditional markets as they arise.

Mr Begley said: "We are excited by our proactive strategic pivot that importantly gives the Company a tangible pathway to long-term growth regardless of the extent of resurgence for the traditional oil and gas market Matrix has operated in.

"We expect that the contracts and agreements recently secured as previously mentioned under our strategic move, will be the genesis to capture more financially significant opportunities in the future, as Matrix's capabilities across these areas are illustrated.

"Matrix also anticipates it will obtain new Humidur Coatings works during 2H FY21, with the more regular, annuity-style income flowing from this business segment providing enhanced stability for the Company to continue to adapt and evolve successfully.

"Overall we expect to deliver a stronger second half with revenue growth and improved financial performance for the Company."

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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.

More information can be found at www.matrixengineered.com