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4770.70		10246.97		\$US0.9305		\$US1102.5	
S&P/ASX 200	29.50 +0.62%	S&P 500	0.07 -0.01%	€EUR/\$USD	0.0009 -0.0600%	OIL	\$US1.13 -1.42%
4763.10		1093.01		\$US1.4983		\$US78.3	

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Deep-sea oil and gas fuels service provider's profits

- **Tim Morris, analyst**
- From: **The Australian**
- November 11, 2009 9:50AM

A **STRUCTURAL** shift in the oil and gas industry towards deep-sea developments has put a rocket under offshore service providers such as Mermaid Marine and Neptune Marine, with shares in both companies rallying more than 100 per cent so far this year.

Float Watch

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Company: Matrix Composites and Engineering

Proposed listing date: November 17

Proposed ASX code: MCE

Shares on offer: 15 million

Issue price: \$1

A **STRUCTURAL** shift in the oil and gas industry towards deep-sea developments has put a rocket under offshore service providers such as Mermaid Marine and Neptune Marine, with shares in both companies rallying more than 100 per cent so far this year.

Matrix Composites and Engineering is also poised to capitalise on the trend. Founded in 1982, the company has emerged as a global leader in the production of offshore oil and gas sub-sea buoyancy systems. Its range of advanced, proprietary materials is used to manufacture customised products that support the weight of underwater equipment and infrastructure. During this financial year Matrix recorded revenues of \$54.3 million and a net profit of \$3.1m. Sub-sea buoyancy systems accounted for 89 per cent of sales and are fuelling strong growth, with revenues increasing at an annual compound rate above 40 per cent for the past five years.

The company, which has a full order book and has upgraded capacity recently, should more than double revenues and profits in the coming year, management says. But rather than cashing out while the going is good, management is issuing \$15m of fresh equity to support the next growth phase. Matrix operates out of seven facilities spread across metropolitan Perth but plans to consolidate them under one roof in a purpose-built facility strategically located in the Australian Marine Complex in the suburb of Henderson. The move is expected to double production capacity and deliver significant

operational synergies when complete.

Provided oil prices remain at levels that encourage deep-sea exploration, there is the potential for sustained strong growth. Listing on a forward price-earnings ratio of 8.4 and a 4 per cent dividend yield, Matrix would appear to give investors a good deal. The Australian dollar's strength poses the biggest risk. The first four months of the financial year have seen the Australian-US dollar exchange rate average 85c, whereas management forecasts for next financial year are based on a rate of 80c. As every 5 per cent appreciation above that mark dampens profits by \$2.1m (or 27 per cent), a profit downgrade may affect early share price performance.


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