

### 3. Matrix Composites and Engineering

**Operations:** Oil and gas services

**Market capitalisation:** \$153 million

**Total return (since IPO):** 140%

**X factor:** Develops global leadership position

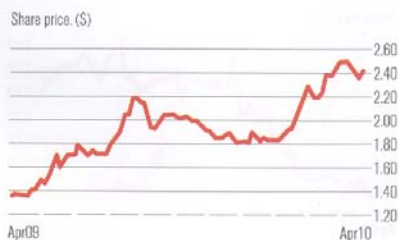
Matrix looks like a beacon in a terrible market for floats. Shares in the engineering company have rocketed from a \$1 issue price to \$2.40 in six months since listing, putting Matrix among the top-performing initial public offerings in the past two years. Matrix is the southern hemisphere's largest manufacturer of sub-sea buoyancy systems, used by offshore oil and gas projects to support underwater structures and pipelines, and make remote controlled vehicles more manoeuvrable in deep water. The systems use composite materials that help deep-water equipment remain stable under water and withstand extreme water pressure.

Matrix's first-half trading performance smashed prospectus forecasts. Revenue increased 114 per cent to \$43.5 million and the net profit of \$7.4 million was 98 per cent of the full-year forecast. Matrix even paid a 2¢ interim dividend and said it is "well positioned to take advantage of West Australian oil and gas projects and resurgence in global deep-water production".

The family-owned company also announced \$US30 million (\$32 million) in overseas contract wins and quoted another \$200 million in new business. Matrix also completed the first stage of a large manufacturing facility just south of Perth that will double its manufacturing capacity, consolidate seven operations into one, and lower costs. The facility gives Matrix a stronger platform to target the booming local gas industry, expand overseas and into other industries that can use its composite materials.

Founder Max Begley and son Aaron Begley, the company's chief executive, own slightly more than 50 per cent of Matrix. After such a strong rally, Matrix shares are probably due for pause. Believers in the long-term potential of Australia's oil and gas industry could do worse than follow Matrix.

#### MATRIX COMPOSITES & ENGINEERING



Source: Bloomberg