



# Matrix reloads for future growth

Aaron Begley sees new openings for the ex-sharemarket darling

**ANDREW BURRELL**  
 PROFILE

THREE decades after he began selling drilling equipment to Australia's then-nascent oil and gas industry, Max Begley was highly embarrassed in June when he debuted on the BRW Rich List with a fortune of \$240 million.

But the publicity-shy and semi-retired Begley, 69, shouldn't have been too surprised about his apparent overnight success.

The founder and biggest shareholder in listed Perth-based company Matrix Composites and Engineering was able to amass a rapid paper fortune thanks to the group's status as a sharemarket darling since its ASX listing in 2009.

It was Begley's reward for his farsighted decision in the early 1980s to set up a heavy engineering company, then called Begley International, to begin servicing the oil and gas companies that were exploring Western Australia's North West Shelf.

Matrix soared from a listing price of \$1 in November 2009 to a dizzying high of \$9.95 in March this year — a 900 per cent rise in 16 months — as the group benefited from its status as the only manufacturer of deep-sea drilling products in the Asia-Pacific region at a time of booming offshore exploration.

"It (the BRW Rich list appearance) was taken with a certain amount of chagrin," says Begley's son Aaron, who is chief executive of Matrix. "He's just a humble guy — he doesn't like blowing his own trumpet."

Max Begley, who remains a non-executive director of Matrix and controls about 35 per cent of the company, declines requests to be interviewed or photographed.

Remarkably, there are no photos of him available in Matrix's annual report or on the company's website.

Unfortunately for Begley, however, Matrix's shares have been caned in the five months since he

appeared on the Rich List.

The value of his stake has plummeted to \$100m, with the shares closing yesterday at \$3.44.

For Matrix, the drastic sell-off has been a harsh lesson in the fickle nature of the sharemarket.

In August, the market punished Matrix for producing a record \$33.6m net profit that fell about \$4m short of consensus estimates.

Matrix alarmed investors again last month when it slashed its revenue growth forecast for 2011-12 from 20 per cent to between zero and 10 per cent, blaming a slowdown in offshore exploration linked to last year's Deepwater Horizon disaster in the Gulf of Mexico.

Sitting in the company's Perth offices, Aaron Begley maintains that Matrix has been oversold and that the group's fundamentals remain strong.

A number of major institutions have remained in the group's top 20 shareholders and several broking firms, including Intersuisse and Austock, have a buy recommendation on the stock.

"We tend to get lumped into the mining services space even though 85 per cent of our revenue is export-based," says Begley, 40, who has run the company for the past 12 years and has pioneered the company's expansion into new markets around the world.

"The market does struggle to find a peer comparison to us because we are the only oil and gas equipment manufacturer in the country of any notable size.

"As a result we get compared to other resource service companies, because they see that as the best proxy for our performance, even though the drivers of their product demand and general market conditions are completely different from ours."

Matrix makes and supplies a range of deep-sea drilling equipment, including buoyancy modules that are crucial for offshore explorers to support underwater structures and pipelines.

It is one of only four companies worldwide in this specialised sector and holds more than 40 per cent of the market.

The heavy-engineering side of

the business, which was pioneered by Max Begley, was folded into Matrix in 2008.

The money raised in the 2009 float allowed Matrix to build a \$64m state-of-the-art facility in Henderson, in the southern industrial belt of Perth.

Aaron Begley says the company has been largely shielded from the malaise affecting manufacturing in Australia because its processes are highly automated and represent less than 10 per cent of the sale price of its products. This has lowered its labour costs and improved productivity.

He believes the BP oil spill in the Gulf of Mexico, which has slowed drilling activity and hit Matrix's bottomline, may ultimately prove a blessing in disguise.

"The industry was largely self-regulating (before the spill)," he says. "Now that there are some quite stringent government regulations, and that's driving people to upgrade equipment and old drill ships, that's driving a second phase of demand.

"It has flattened North American sales, but the long-term outlook in some respects is better than it's ever been."

Begley believes the global shift to deepwater and ultra-deepwater exploration — as oil becomes harder to find in traditional areas — will be central to Matrix's growth plans.

On the other hand, analysts have pointed out that Matrix would suffer if the oil price fell significantly and demand for exploration products dried up.

With no formal engineering qualifications, Begley is something of a rarity as the head of a major resources services business.

Boasting an economics degree from the University of Western Australia and a postgraduate degree in business from Curtin University, he has spent his entire working life in the industry and learnt entirely on the job.

Begley is now planning to expand Matrix's activities internationally by opening service centres in Houston, Rio de Janeiro, Singapore and possibly West Africa to service the mining and energy sectors in those markets.

  
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And even though most of its profits will continue to be derived from overseas, Matrix appears well placed to cash in on the looming LNG boom in Australia, with companies such as Woodside Petroleum and Chevron under pres-

sure to increase the amount of local content used in their multi-billion-dollar projects.

"There are no Australian content laws but there's an advantage if you are located here," Begley says. "With the way things are

viewed politically, major operators do buy locally sourced equipment. The advantage for us is we are a globally competitive business so we should be very well positioned."

### 'He (Max Begley) doesn't like blowing his own trumpet'

**AARON BEGLEY**  
CHIEF EXECUTIVE OF MATRIX  
COMPOSITES AND ENGINEERING,  
ON HIS FATHER



MARIE NIRM

Aaron Begley is the son of Matrix founder Max Begley, who made his fortune servicing the oil and gas companies that were exploring the North West Shelf