



November 4, 2015

Matrix Service Company Reports Solid First Quarter Results; Maintains Guidance

- Fully diluted earnings per share increased to \$0.37 compared to \$0.22 in the first quarter of fiscal 2015
- Consolidated gross profit increased 21.9% to \$34.6 million
- Revenue increased in the Electrical Infrastructure, Storage Solutions, and Oil Gas & Chemical segments, offset by the expected reduction in the Industrial Segment
- Backlog remains strong at \$1.28 billion with an additional \$183.4 million in new project awards

TULSA, Okla., Nov. 4, 2015 (GLOBE NEWSWIRE) -- **Matrix Service Company** (Nasdaq:MTRX) today reported its financial results for the first quarter ended September 30, 2015.

"Despite continued challenges in the energy and industrial markets overall, Matrix Service Company performed well in the first quarter," said John Hewitt, President and CEO. "It is the quality of our performance that drives results. First quarter earnings per share were up more than 68% compared to the same period in fiscal 2015. Backlog is strong and our bid funnel is healthy. Increased revenue in all but one of our segments proves the strength of our business and the value of our strategic diversification. Overall, we are very pleased with our first quarter results."

Hewitt added that the two foundational projects announced in fiscal 2015 - the Napanee Generating Station and the gathering terminals for Dakota Access Pipeline - are also on plan. "As we evaluate our performance on both existing and future projects, as well as opportunities on the horizon, we're confident in our ability to continue to deliver solid results," he said.

First Quarter Fiscal 2016 Results

Consolidated revenue was \$319.3 million for the three months ended September 30, 2015, compared to consolidated revenue of \$321.7 million in the same period in the prior fiscal year. On a segment basis, consolidated revenue increased in the Electrical Infrastructure, Storage Solutions and Oil Gas & Chemical segments by \$9.9 million, \$10.9 million and \$15.0 million, respectively. These increases were offset by a reduction in the Industrial segment of \$38.2 million.

Consolidated gross profit increased from \$28.4 million in the three months ended September 30, 2014 to \$34.6 million in the three months ended September 30, 2015. Gross margins were 10.8% in the three months ended September 30, 2015 compared to 8.8% for the three months ended September 30, 2014. Prior year margins were reduced 1.8% to 8.8% due to a \$3.3 million project charge on an acquired EPC joint venture project.

Consolidated SG&A expenses were \$19.5 million in the three months ended September 30, 2015 compared to \$19.8 million in the same period a year earlier. SG&A expense as a percentage of revenue was 6.1% in the three months ended September 30, 2015 compared to 6.2% for the three months ended September 30, 2014.

Backlog

Backlog at September 30, 2015 totaled \$1.28 billion compared to \$1.42 billion at June 30, 2015. Project awards totaled \$183.4 million in the three months ended September 30, 2015.

Financial Position

Availability under the Company's credit facility of \$125.2 million along with the Company's cash balance of \$69.2 million provided liquidity of \$194.4 million at September 30, 2015, a quarterly increase of \$19.6 million or 11.2%.

Earnings Guidance

The Company is maintaining fiscal 2016 revenue guidance of between \$1.4 billion and \$1.6 billion and is maintaining fiscal 2016 earnings guidance of between \$1.45 and \$1.75 per fully diluted share.

Conference Call Details

In conjunction with the earnings release, Matrix Service Company will host a conference call with John R. Hewitt, President and CEO, and Kevin S. Cavanah, Vice President and CFO. The call will take place at 10:30 a.m. (Eastern) / 9:30 a.m. (Central) on

Thursday, November 5, 2015 and will be simultaneously broadcast live over the Internet which can be accessed at the Company's website at matrixservicecompany.com on the Investors' page under Conference Calls/Events. Please allow extra time prior to the call to visit the site and download the streaming media software required to listen to the Internet broadcast. The conference call will be recorded and will be available for replay within one hour of completion of the live call and can be accessed following the same link as the live call.

About Matrix Service Company

Matrix Service Company provides engineering, fabrication, construction and repair and maintenance services to the Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions and Industrial markets.

The Company is headquartered in Tulsa, Oklahoma, with regional operating facilities throughout the United States and Canada.

This release contains forward-looking statements that are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are generally accompanied by words such as "anticipate," "continues," "expect," "forecast," "outlook," "believe," "estimate," "should" and "will" and words of similar effect that convey future meaning, concerning the Company's operations, economic performance and management's best judgment as to what may occur in the future. Future events involve risks and uncertainties that may cause actual results to differ materially from those we currently anticipate. The actual results for the current and future periods and other corporate developments will depend upon a number of economic, competitive and other influences, including those factors discussed in the "Risk Factors" and "Forward Looking Statements" sections and elsewhere in the Company's reports and filings made from time to time with the Securities and Exchange Commission. Many of these risks and uncertainties are beyond the control of the Company, and any one of which, or a combination of which, could materially and adversely affect the results of the Company's operations and its financial condition. We undertake no obligation to update information contained in this release, except as required by law.

| Matrix Service Company | | |
|--|---------------------------|----------------------|
| Consolidated Statements of Income | | |
| (unaudited) | | |
| (In thousands, except per share data) | | |
| | Three Months Ended | |
| | September 30, | September 30, |
| | 2015 | 2014 |
| Revenues | \$ 319,331 | \$ 321,683 |
| Cost of revenues | 284,747 | 293,304 |
| Gross profit | 34,584 | 28,379 |
| Selling, general and administrative expenses | 19,483 | 19,832 |
| Operating income | 15,101 | 8,547 |
| Other income (expense): | | |
| Interest expense | (263) | (351) |
| Interest income | 31 | 42 |
| Other | (54) | 57 |
| Income before income tax expense | 14,815 | 8,295 |
| Provision for federal, state and foreign income taxes | 5,076 | 3,624 |
| Net income | 9,739 | 4,671 |
| Less: Net loss attributable to noncontrolling interest | (202) | (1,243) |
| Net income attributable to Matrix Service Company | <u>\$ 9,941</u> | <u>\$ 5,914</u> |
| Basic earnings per common share | \$ 0.38 | \$ 0.22 |
| Diluted earnings per common share | \$ 0.37 | \$ 0.22 |
| Weighted average common shares outstanding: | | |
| Basic | 26,476 | 26,470 |
| Diluted | 27,050 | 27,134 |

Matrix Service Company
Consolidated Balance Sheets
(unaudited)
(In thousands)

| | <u>September 30,</u> | <u>June 30,</u> |
|---|----------------------|-------------------|
| | <u>2015</u> | <u>2015</u> |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 69,180 | \$ 79,239 |
| Accounts receivable, less allowances (September 30, 2015—\$895 and June 30, 2015—\$561) | 182,634 | 199,149 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 83,604 | 86,071 |
| Deferred income taxes | 7,274 | 8,298 |
| Inventories | 2,863 | 2,773 |
| Income taxes receivable | 459 | 579 |
| Other current assets | <u>8,494</u> | <u>5,660</u> |
| Total current assets | 354,508 | 381,769 |
| Property, plant and equipment at cost: | | |
| Land and buildings | 32,609 | 32,746 |
| Construction equipment | 88,131 | 87,561 |
| Transportation equipment | 47,196 | 47,468 |
| Office equipment and software | 28,072 | 28,874 |
| Construction in progress | <u>8,095</u> | <u>5,196</u> |
| Total property, plant and equipment - at cost | 204,103 | 201,845 |
| Accumulated depreciation | <u>(120,150)</u> | <u>(116,782)</u> |
| Property, plant and equipment - net | 83,953 | 85,063 |
| Goodwill | 70,940 | 71,518 |
| Other intangible assets | 22,926 | 23,961 |
| Deferred income taxes - noncurrent | 2,118 | 2,073 |
| Other assets | <u>2,126</u> | <u>3,947</u> |
| Total assets | <u>\$ 536,571</u> | <u>\$ 568,331</u> |

Matrix Service Company
Consolidated Balance Sheets (continued)
(unaudited)
(In thousands, except share data)

| | <u>September</u> | <u>June 30,</u> |
|---|------------------|-----------------|
| | <u>30,</u> | <u>2015</u> |
| | <u>2015</u> | <u>2015</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 99,759 | \$ 125,792 |
| Billings on uncompleted contracts in excess of costs and estimated earnings | 75,275 | 96,704 |
| Accrued wages and benefits | 22,719 | 26,725 |
| Accrued insurance | 8,736 | 8,100 |
| Income taxes payable | 4,494 | 3,268 |
| Deferred income taxes | 863 | 473 |
| Other accrued expenses | <u>5,686</u> | <u>6,498</u> |

| | | |
|---|-------------------|-------------------|
| Total current liabilities | 217,532 | 267,560 |
| Deferred income taxes - noncurrent | 7,244 | 7,413 |
| Borrowings under senior credit facility | <u>9,766</u> | <u>8,804</u> |
| Total liabilities | 234,542 | 283,777 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Matrix Service Company stockholders' equity: | | |
| Common stock—\$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of September 30, 2015, and June 30, 2015; 26,531,657 and 26,440,823 shares outstanding as of September 30, 2015 and June 30, 2015 | 279 | 279 |
| Additional paid-in capital | 124,146 | 123,038 |
| Retained earnings | 204,335 | 194,394 |
| Accumulated other comprehensive loss | <u>(8,375)</u> | <u>(5,926)</u> |
| | 320,385 | 311,785 |
| Less: Treasury stock, at cost— 1,356,560 shares as of September 30, 2015, and 1,447,394 shares as of June 30, 2015 | <u>(17,845)</u> | <u>(18,489)</u> |
| Total Matrix Service Company stockholders' equity | 302,540 | 293,296 |
| Noncontrolling interest | <u>(511)</u> | <u>(8,742)</u> |
| Total stockholders' equity | <u>302,029</u> | <u>284,554</u> |
| Total liabilities and stockholders' equity | <u>\$ 536,571</u> | <u>\$ 568,331</u> |

Matrix Service Company

Results of Operations

(unaudited)

(In thousands)

| | <u>Three Months Ended</u> | |
|-------------------------------------|---------------------------|----------------------|
| | <u>September 30,</u> | <u>September 30,</u> |
| | <u>2015</u> | <u>2014</u> |
| Gross revenues | | |
| Electrical Infrastructure | \$ 65,625 | \$ 55,673 |
| Oil Gas & Chemical | 68,959 | 54,199 |
| Storage Solutions | 144,570 | 133,350 |
| Industrial | <u>41,335</u> | <u>79,360</u> |
| Total gross revenues | <u>\$ 320,489</u> | <u>\$ 322,582</u> |
| Less: Inter-segment revenues | | |
| Electrical Infrastructure | \$ — | \$ — |
| Oil Gas & Chemical | 648 | 840 |
| Storage Solutions | 334 | 59 |
| Industrial | <u>176</u> | <u>—</u> |
| Total inter-segment revenues | <u>\$ 1,158</u> | <u>\$ 899</u> |
| Consolidated revenues | | |
| Electrical Infrastructure | \$ 65,625 | \$ 55,673 |
| Oil Gas & Chemical | 68,311 | 53,359 |
| Storage Solutions | 144,236 | 133,291 |
| Industrial | <u>41,159</u> | <u>79,360</u> |
| Total consolidated revenues | <u>\$ 319,331</u> | <u>\$ 321,683</u> |
| Gross profit (loss) | | |
| Electrical Infrastructure | \$ 4,708 | \$ (489) |

| | | |
|--------------------------------|------------------|------------------|
| Oil Gas & Chemical | 5,683 | 4,386 |
| Storage Solutions | 20,232 | 14,518 |
| Industrial | <u>3,961</u> | <u>9,964</u> |
| Total gross profit | <u>\$ 34,584</u> | <u>\$ 28,379</u> |
| Operating income (loss) | | |
| Electrical Infrastructure | \$ 1,200 | \$ (3,656) |
| Oil Gas & Chemical | 1,416 | 578 |
| Storage Solutions | 11,549 | 7,103 |
| Industrial | <u>936</u> | <u>4,522</u> |
| Total operating income | <u>\$ 15,101</u> | <u>\$ 8,547</u> |

Matrix Service Company
Consolidated Statements of Cash Flows
(unaudited)
(In thousands)

| | <u>Three Months Ended</u> | |
|---|---------------------------|----------------------|
| | <u>September 30,</u> | <u>September 30,</u> |
| | <u>2015</u> | <u>2014</u> |
| Operating activities: | | |
| Net income | \$ 9,739 | \$ 4,671 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 5,429 | 5,771 |
| Deferred income tax | 1,380 | (1,994) |
| Gain on sale of property, plant and equipment | (74) | (122) |
| Provision for uncollectible accounts | 334 | 465 |
| Stock-based compensation expense | 1,658 | 1,457 |
| Excess tax benefit of exercised stock options and vesting of deferred shares | (20) | (660) |
| Other | 60 | 59 |
| Changes in operating assets and liabilities increasing (decreasing) cash, net of effects from acquisitions: | | |
| Accounts receivable | 16,181 | 30,379 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 2,467 | (16,811) |
| Inventories | (90) | 39 |
| Other assets and liabilities | 293 | 10,726 |
| Accounts payable | (26,197) | (17,531) |
| Billings on uncompleted contracts in excess of costs and estimated earnings | (21,429) | (4,732) |
| Accrued expenses | <u>(4,182)</u> | <u>(6,605)</u> |
| Net cash provided (used) by operating activities | (14,451) | 5,112 |
| Investing activities: | | |
| Acquisition of property, plant and equipment | (3,941) | (3,656) |
| Acquisition | — | (5,250) |
| Proceeds from asset sales | <u>135</u> | <u>148</u> |
| Net cash used by investing activities | \$ (3,806) | \$ (8,758) |

Matrix Service Company
Consolidated Statements of Cash Flows (continued)
(Unaudited)
(In thousands)

| | Three Months Ended | |
|--|---------------------------|---------------------------|
| | September 30, 2015 | September 30, 2014 |
| Financing activities: | | |
| Capital contributions from noncontrolling interest | \$ 8,433 | \$ — |
| Issuances of common stock | 384 | 193 |
| Excess tax benefit of exercised stock options and vesting of deferred shares | 20 | 660 |
| Advances under credit agreement | 962 | 5,817 |
| Repayments of advances under credit agreement | — | (6,094) |
| Proceeds from issuance of common stock under employee stock purchase plan | 72 | 58 |
| Repurchase of common stock for payment of statutory taxes due on equity-based compensation | (382) | (913) |
| Net cash provided (used) by financing activities | 9,489 | (279) |
| Effect of exchange rate changes on cash | (1,291) | (436) |
| Net decrease in cash and cash equivalents | (10,059) | (4,361) |
| Cash and cash equivalents, beginning of period | 79,239 | 77,115 |
| Cash and cash equivalents, end of period | <u>\$ 69,180</u> | <u>\$ 72,754</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid (received) during the period for: | | |
| Income taxes | <u>\$ 1,747</u> | <u>\$ (1,972)</u> |
| Interest | <u>\$ 311</u> | <u>\$ 524</u> |
| Non-cash investing and financing activities: | | |
| Purchases of property, plant and equipment on account | <u>\$ 603</u> | <u>\$ 370</u> |

Backlog

We define backlog as the total dollar amount of revenue that we expect to recognize as a result of performing work that has been awarded to us through a signed contract, notice to proceed or other type of assurance that we consider firm. The following arrangements are considered firm:

- fixed-price awards;
- minimum customer commitments on cost plus arrangements; and
- certain time and material arrangements in which the estimated value is firm or can be estimated with a reasonable amount of certainty in both timing and amounts.

For long-term maintenance contracts and other established arrangements, we include only the amounts that we expect to recognize into revenue over the next 12 months. For all other arrangements, we calculate backlog as the estimated contract amount less revenue recognized as of the reporting date.

Three Months Ended September 30, 2015

The following table provides a summary of changes in our backlog for the three months ended September 30, 2015:

| | Electrical Infrastructure | Oil Gas & Chemical | Storage Solutions | Industrial | Total |
|----------------------------------|--------------------------------------|-----------------------------------|------------------------------|-------------------|---------------------|
| | (In thousands) | | | | |
| Backlog as of June 30, 2015 | \$ 493,973 | \$ 132,985 | \$ 670,493 | \$ 123,147 | \$ 1,420,598 |
| Project awards | 38,440 | 64,364 | 67,565 | 13,074 | 183,443 |
| Revenue recognized | (65,625) | (68,311) | (144,236) | (41,159) | (319,331) |
| Backlog as of September 30, 2015 | <u>\$ 466,788</u> | <u>\$ 129,038</u> | <u>\$ 593,822</u> | <u>\$ 95,062</u> | <u>\$ 1,284,710</u> |

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