

# D.A. Davidson Engineering & Construction Conference



Move to a higher standard<sup>SM</sup>

# Safe harbor

This presentation contains certain forward-looking statements concerning Matrix Service Company's operations, economic performance and management's best judgment as to what may occur in the future. The actual results for the current and future periods and other corporate developments will depend upon a number of economic, competitive and other influences, many of which are beyond the control of the Company, and any one of which, or a combination of which, could materially affect the results of the Company's operations. Such forward-looking statements are subject to a number of risks and uncertainties as identified in the Company's most recent Annual Report on Form 10-K and in subsequent filings made by the Company with the SEC.

# Our core values

Commitment to safety

Integrity

Positive relationships

Stewardship

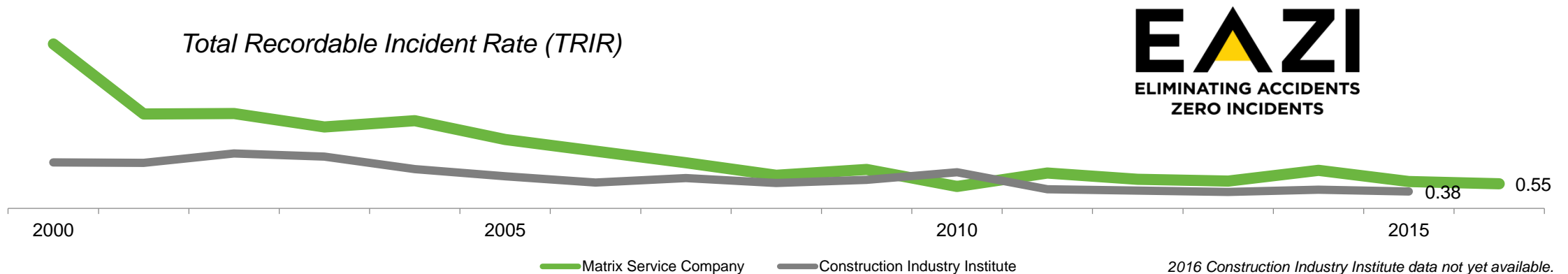
Community involvement

Deliver the best

Our FY 2016  
Total Recordable Incident Rate (TRIR)

0.55

- Our #1 Core Value is and always will be safety
- Matrix focuses on TRIR because it is a true and complete measure of a contractor's safety performance
- Our commitment to safety is aligned with our customers' expectations
- Our goal is to achieve zero incidents, period





# Company overview



## A top-tier North American industrial contractor

Through our family of brands, Matrix Service Company provides engineering, construction and maintenance across the Energy, Power and Industrial markets

### OUR OPERATING SEGMENTS

#### ELECTRICAL INFRASTRUCTURE



- Power generation facilities
- Substation construction and upgrades
- Transmission & distribution
- Storm restoration

#### STORAGE SOLUTIONS



- Crude tanks and terminals
- NGL tanks and terminals
- LNG tanks and terminals
- Other specialty vessels
- Precision engineered products

#### OIL GAS & CHEMICAL



- Refinery, gas plants and petro-chemical facilities
- Turnarounds and plant maintenance
- Advanced chemical and tank cleaning
- Small cap repair and construction
- Upstream services

#### INDUSTRIAL

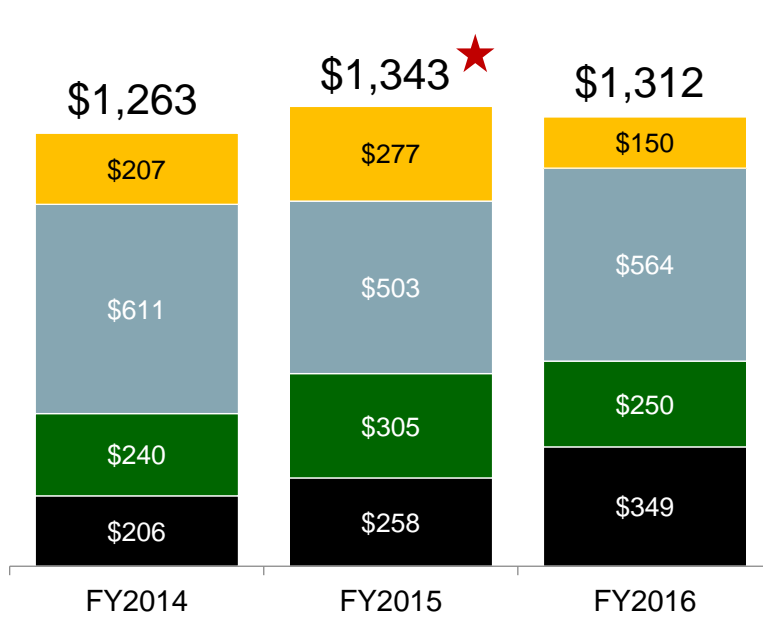


- Iron and steel
- Mining and minerals
- Bulk material handling
- Fertilizer production facilities
- Other industrial

# Financial achievements

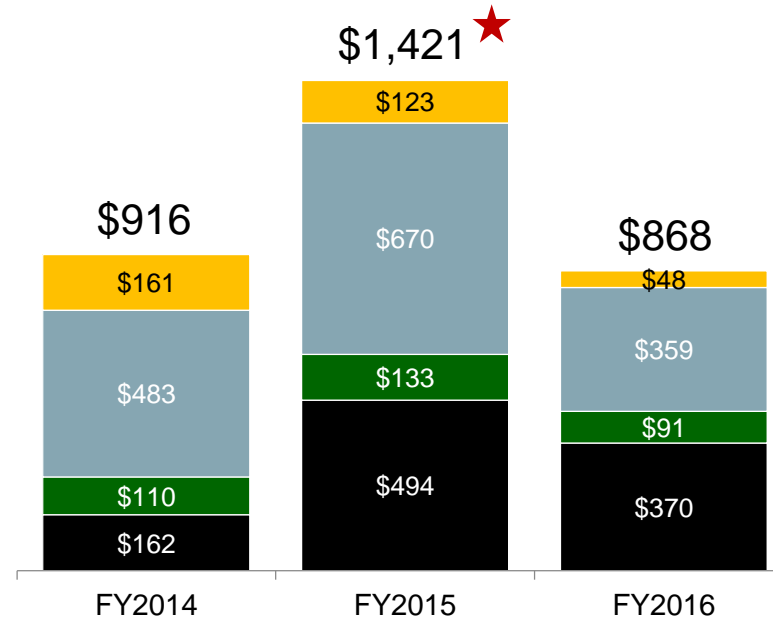
## REVENUE

(\$ in millions)

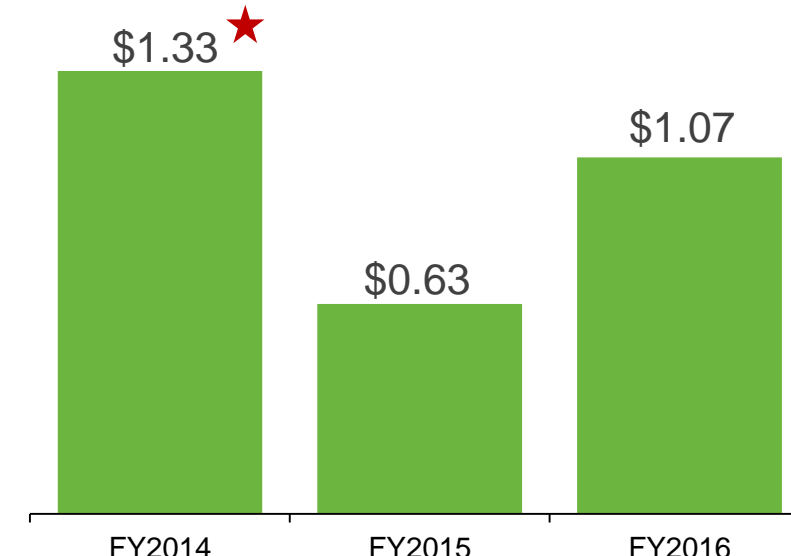


## BACKLOG

(\$ in millions)



## EARNINGS PER SHARE



■ Electrical Infrastructure 
 ■ Oil Gas & Chemical 
 ■ Storage Solutions 
 ■ Industrial

★ Represents record performance

Despite significant variability in the commodity markets, we delivered solid fiscal 2016 results and begin fiscal 2017 with backlog representing more than 60% of anticipated revenue, which is in-line with our historical beginning backlog experience.

# Why Matrix is a good long-term investment



## Our business

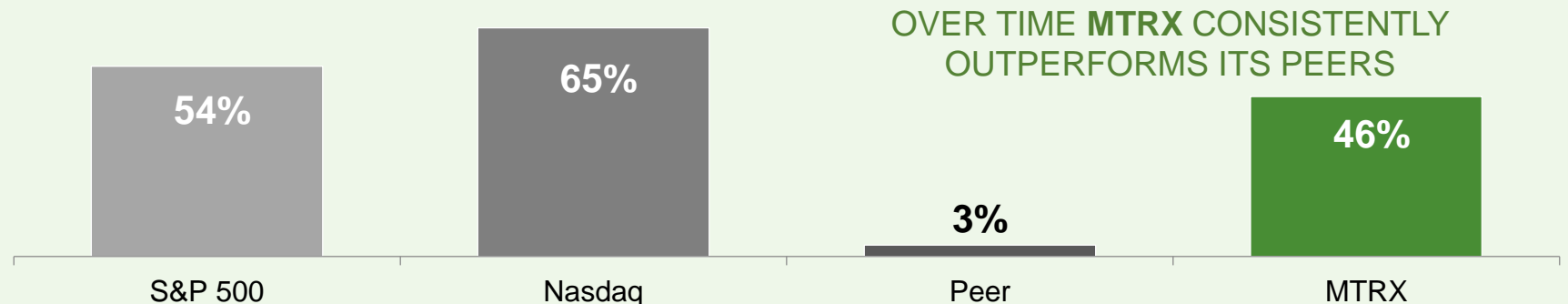
- Strong culture of living our core values
- Clear vision and strategy
- Strong balance sheet with low capital demand
- 85% blue chip customer base; 80% publicly traded; majority long-term customers
- Diversified portfolio of projects with mix of capital construction and recurring revenue
- Foundationally built for long-term growth

## Our markets

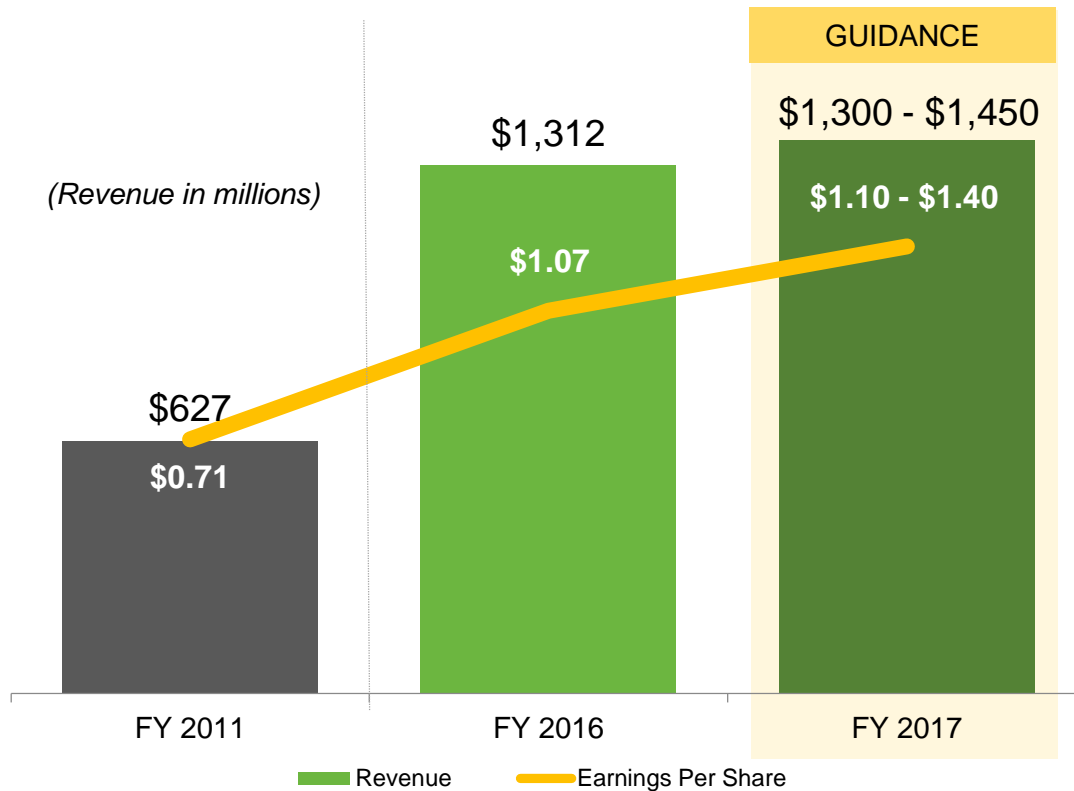
- Pure play for North American energy and industrial infrastructure
- Strict regulatory environment creates opportunities
- Strong North American oil, gas and gas liquids position creates long-term opportunities across our operating segments
- Aging electrical infrastructure creates significant opportunity in power generation and power delivery

## Total Shareholder Return

(June 30, 2012 – June 30, 2016)



# Our strategic performance



The aggressive 5-year strategic plan we launched at the beginning of FY 2012 has allowed us to:

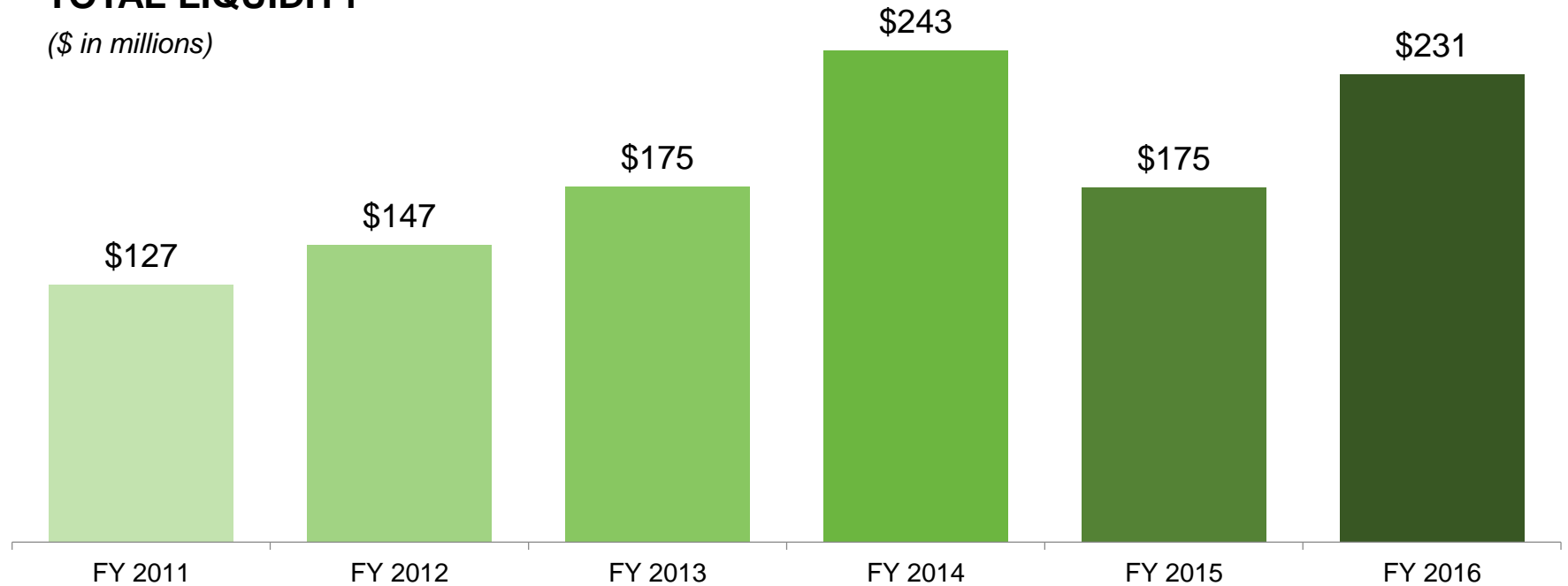
- More than **double our revenue**
- More than **double our average backlog**
- Improve earnings per share by **more than 50%**
- Achieve **record safety results**
- **Diversify** our markets and our services
- **Expand** our geographic footprint
- Build **best-in-class** workforce

Executing on our vision and strategic plan has resulted in financial strength and a strong brand position that allows us to take advantage of significant market opportunities.

# Capital allocation strategy



**TOTAL LIQUIDITY**  
(\$ in millions)

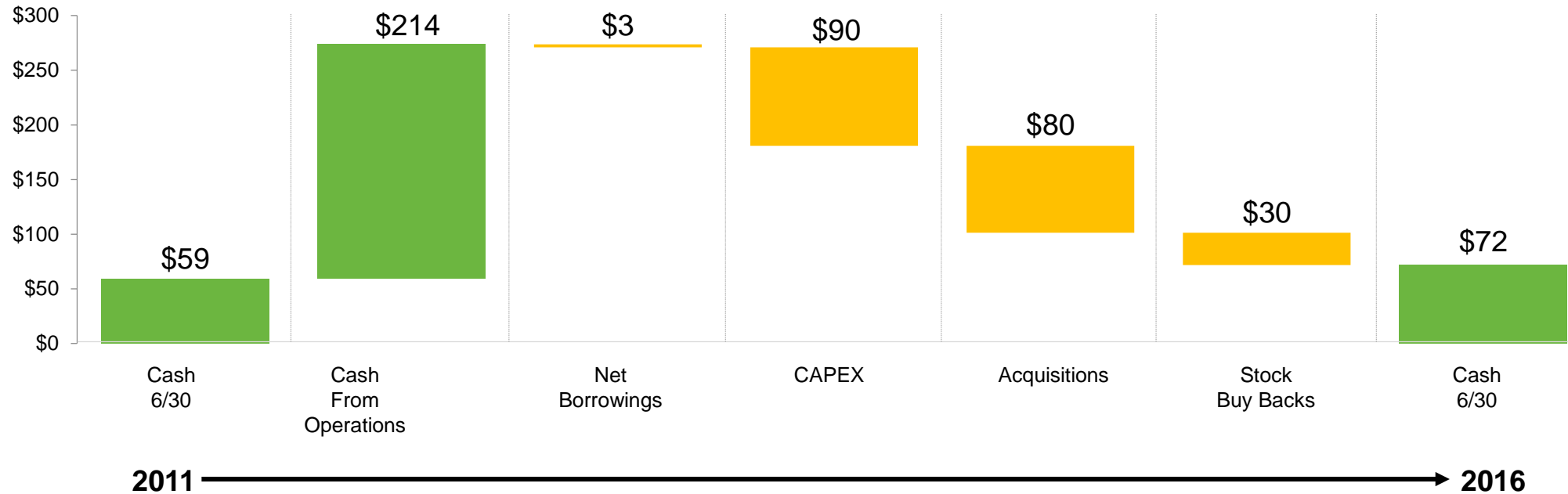


Our strategic objective of maintaining a strong balance sheet allows us to fund our business and protect shareholder value.



# Uses of cash

(\$ in millions)



REVENUE UP  
**109%**

EPS UP  
**51%**

SHARE PRICE UP  
**23%**

Revenue (LTM)	\$627.1	\$1,311.9
EPS (LTM)	\$0.71	\$1.07
MTRX Closing Price	\$13.38	\$16.49

Our conservative approach to managing our balance sheet has grown the business, strengthened the balance sheet and improved earnings – all without leveraging the company.

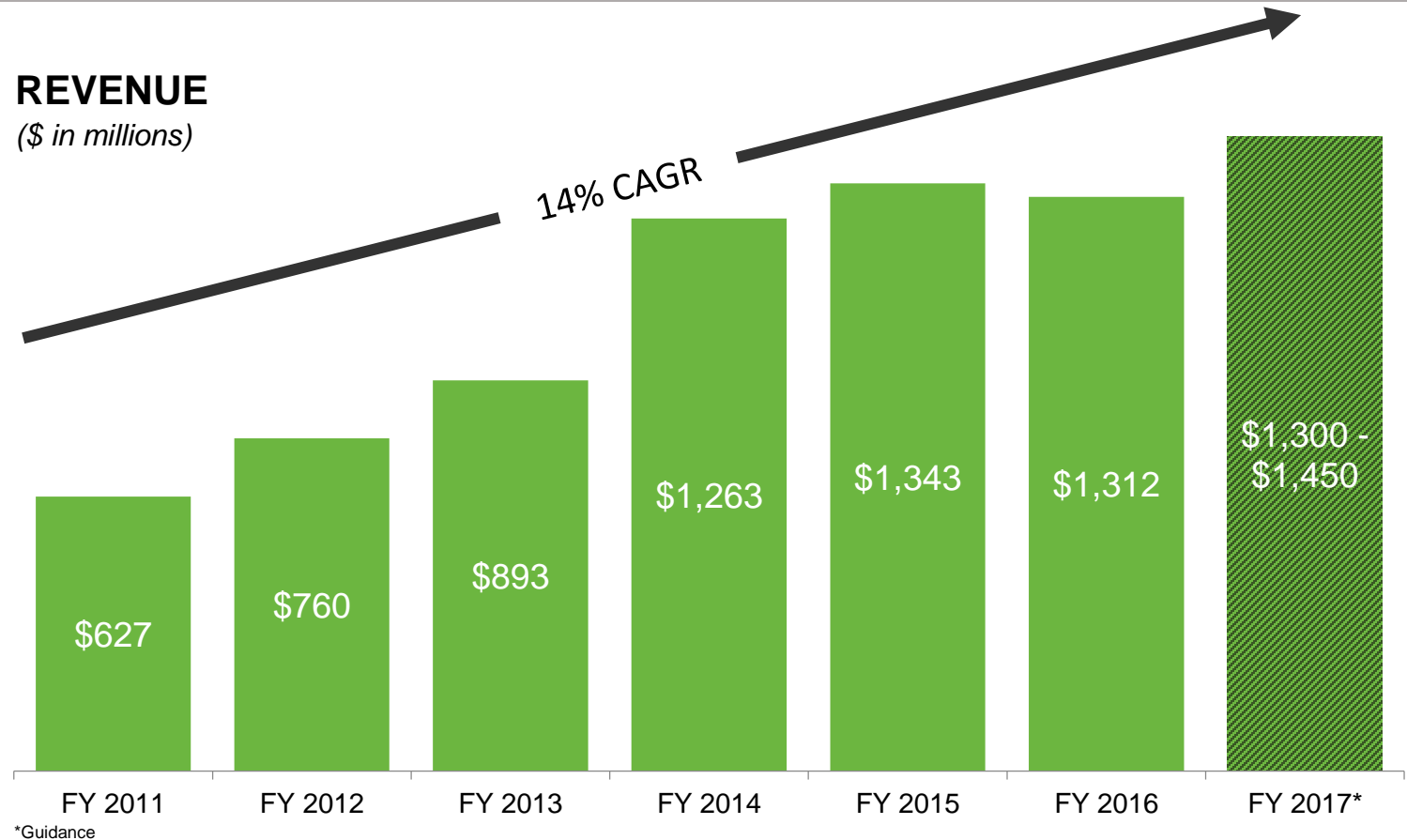
# Key measurement goals

## LONG TERM GOALS

TRIR / Safety	<b>0</b>
Net working capital	<b>&lt; 0%*</b>
Operating margin	<b>= &gt; 6.5%*</b>
ROIC	<b>&gt; 15%</b>
Voluntary employee turnover (excluding Craft)	<b>&lt; 5%</b>
Average annual training hours per employee	<b>= &gt; 40</b>
SG&A	<b>&lt; 5.5%*</b>
CAPEX	<b>&lt; 1.5%*</b>

\*As a percentage of consolidated revenue

## REVENUE (\$ in millions)



Our aggressive goals are designed to allow continued growth and realization of top tier metrics to achieve long-term shareholder value.

# Appendix

# Project highlight: Electrical Infrastructure



Construction of the 900 megawatt gas-fired combined cycle Napanee Generating Station in Napanee, ON, the second power generation facility Matrix has built for TransCanada

## Project Status:

- Major foundations are nearing completion
- Underground work is being finalized
- Heat Recovery Steam Generator erection and centerline equipment installation is underway
- Other project areas are also progressing well, including the construction of the switch yard, cooling tower, control room, water treatment building, as well as the placement of major structural components over the power block.



# Market insight: Electrical Infrastructure (Power Generation)

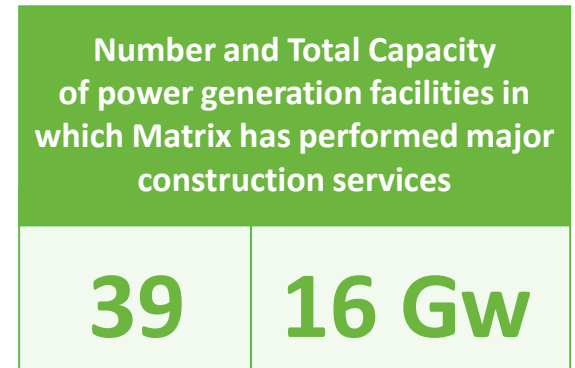
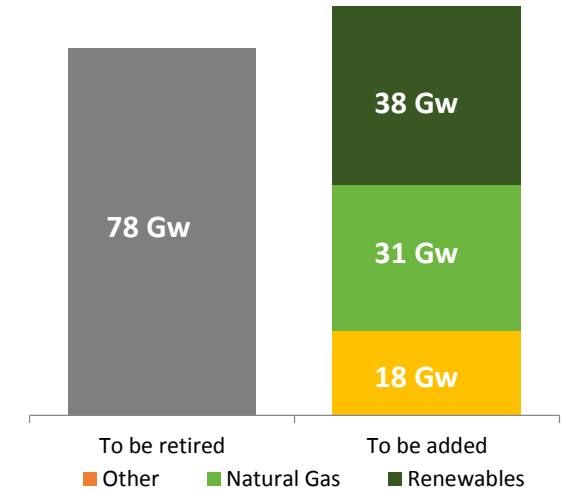


## Power Generation Outlook through 2025

- The EPA's Clean Power Plan is one of the ways the U.S. will meet obligations under the Paris Climate Accord
- Drivers include:
  - New-build natural gas combined cycle construction
  - Repower / coal-to-gas switching
  - Accelerating transition to cleaner sources
  - Low cost and abundant natural gas
- Continued push by some for a 'thaw' in U.S. nuclear power policy and re-emergence of the fuel as a meaningful 'clean power' option

## Opportunity

- Substantial opportunity exists for Matrix to provide specific subcontract services in centerline erection, electrical and other mechanical services which represent the legacy expertise for which we are known
- North American focus as utilities shift from coal-fired to cleaner sources of energy





# Market insight: Electrical Infrastructure (Power Delivery)



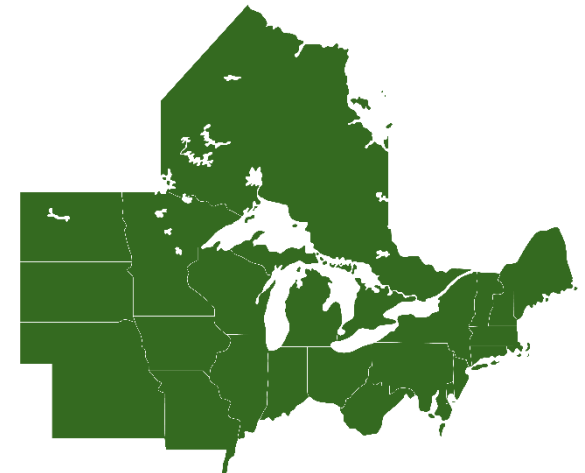
## Power delivery outlook

- \$85 billion projected in transmission, distribution and substation (TD&S) infrastructure investment thru 2018
- \$880 billion in the U.S. and \$100 billion in Canada in TD&S infrastructure investment is expected over the next two decades
- Drivers include:
  - Replacement/upgrades to aging infrastructure
  - New-build infrastructure to support renewables and new natural gas power plants
  - FERC spending in Regional Control Sectors
  - Industrial sector spending

## Opportunity

- Focus is on Northeast, Mid- Atlantic and Upper Midwest
- Actively pursuing acquisition opportunities to extend geographic reach

### MATRIX POWER DELIVERY FOCUS AREA



# Project highlight: Storage Solutions



EPC of all six gathering terminals for the Dakota Access Pipeline, one of the largest pipeline systems in the Bakken

- The pipeline will connect the Bakken and Three Forks production areas in North Dakota to Patoka, Illinois
- Each terminal will have a working capacity ranging from 200,000 to 600,000 barrels

**Project status:**

- Civil work is substantially complete
- Storage tanks are being prepared for hydro-testing
- Balance of plant piping and electrical work is fully underway
- Work on Dakota Access is scheduled to be substantially complete before the end of this calendar year.

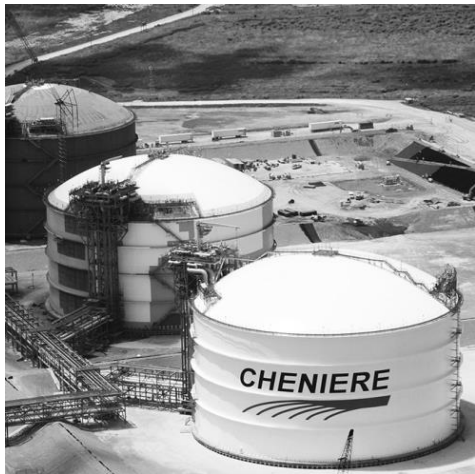


# Market insight: Storage Solutions



## Crude oil

- Upstream producers continue to weather low prices and cautiously prepare for prices to normalize
- Midstream companies continue with their infrastructure investment plans, albeit at a more measured approach and pace
- Need for additional storage across midstream and downstream markets remains strong
- Extended permitting process may create delays in project starts
- Lift on crude export ban



## Gas & gas liquids

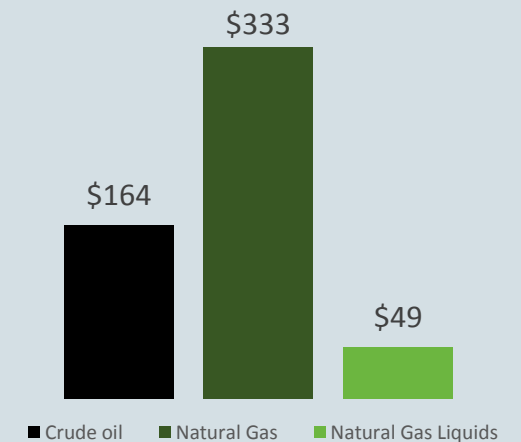
- North American conversion from import to export, as well as growing demand in LNG transportation fuels create need for related infrastructure
- Ramp up in natural gas-fired power generation
- Despite decline in energy prices, NGL margin spreads offer stable profit and, accordingly, are driving plant construction forward
- Project starts on larger LNG export facilities are pending negotiation of offtake agreements by facility owners



Interstate Natural Gas  
Association of America

# \$546 Billion

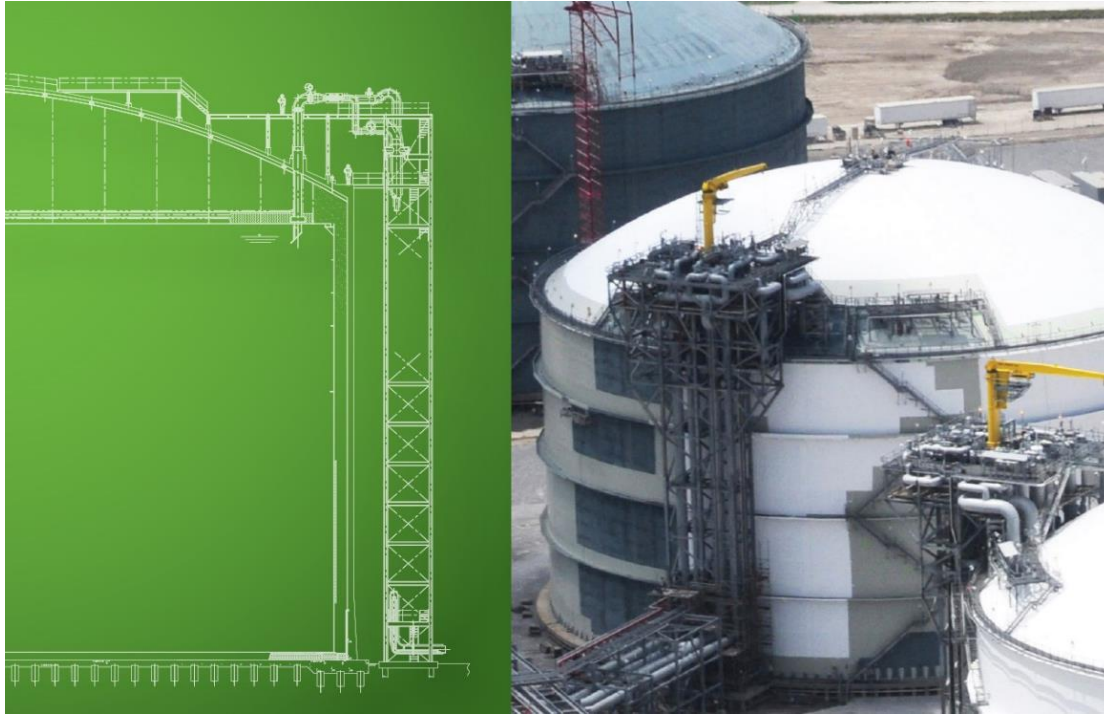
North American Investment  
Needs Through 2035  
(\$ in billions)



Source: Natural Gas Intelligence, April 12, 2016

# Opportunity: Storage Solutions

*FEED studies for crude and cryogenic storage generate additional EPC bid opportunities*



\$ in millions

**FEED STUDIES**  
EPC bid  
opportunities  
by fiscal year



Our current level of FEED studies supports projects with a total construction value in excess of \$1 billion, which we are in a prime position to bid and win



# Opportunity: Storage Solutions

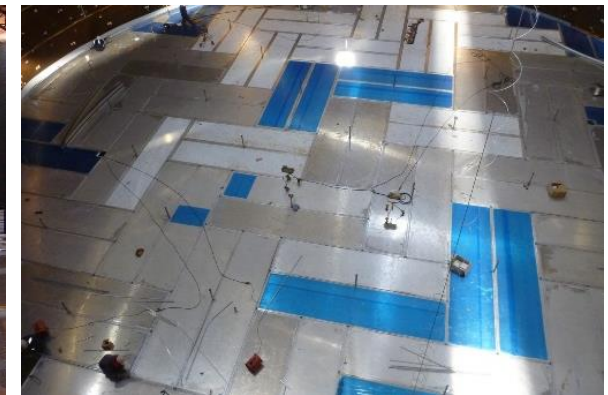
## *Acquisition of Baillie Tank Equipment*

- International manufacturer of AST products:
  - Geodesic domes
  - Aluminum floating roofs
  - Floating suction and skimmer systems
  - Roof drain systems
  - Floating roof seals
- Headquartered in Sydney, Australia with aluminum fabrication and manufacturing facilities near Seoul, KR
- Currently serves customers in more than 85 countries, with annual revenues approaching \$20 million
- Provides North American customers with a higher standard in AST products
- Serves as catalyst for tank maintenance and repair services



ISO 9001  
QMI-SAI Global

## **PRECISION ENGINEERED.** PREMIER PRODUCTS.





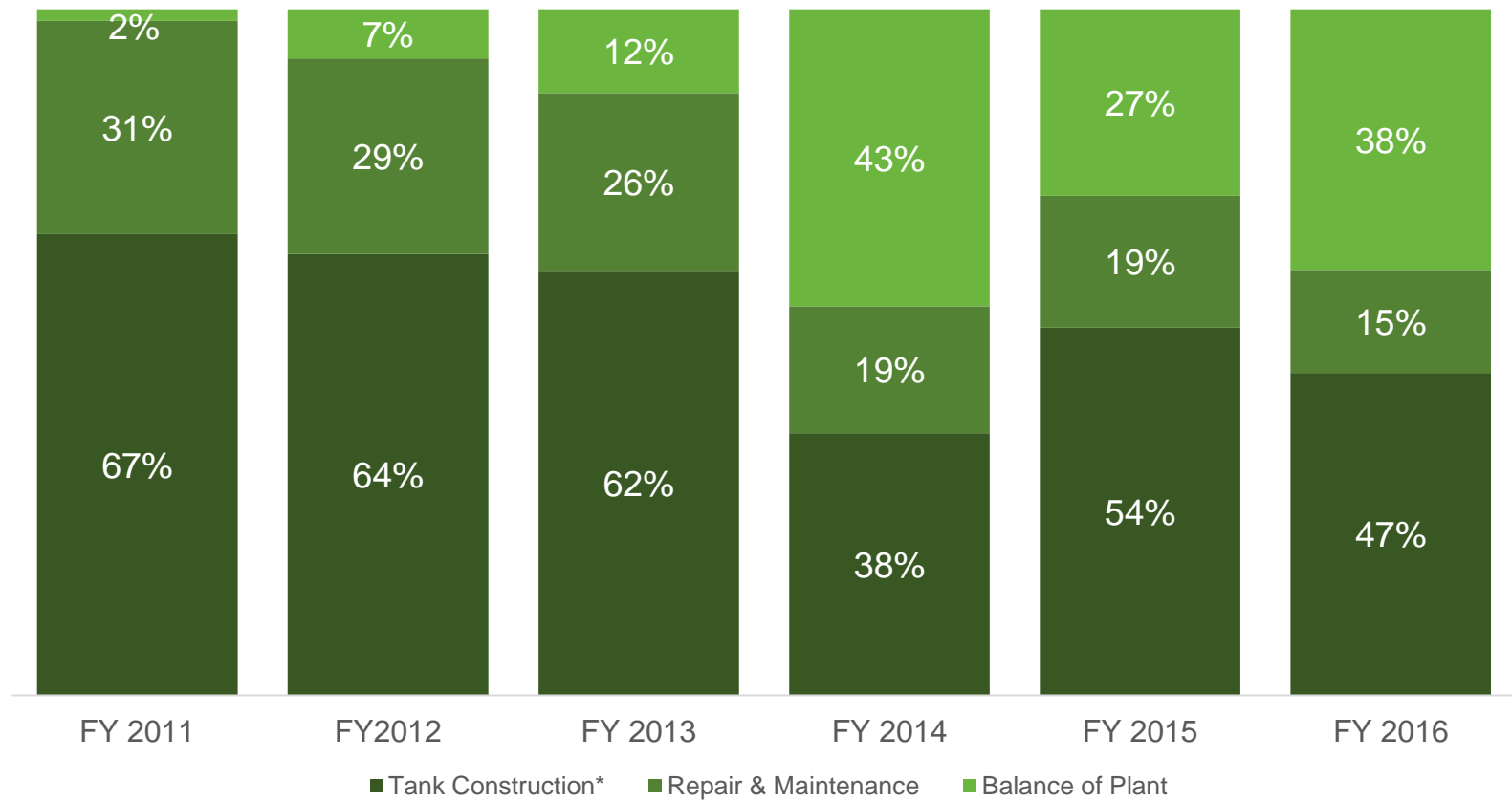
# Storage Solutions diversification

*From tanks to full terminals*



\* Aboveground storage tanks and specialty vessels (generally natural gas, NGL and LNG vessels)

Our balance of plant work has grown from just **2%** in FY 2011 to **38%** FY 2016

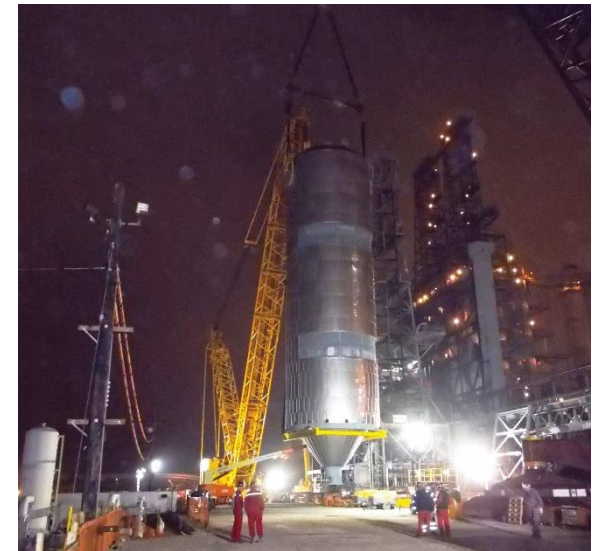
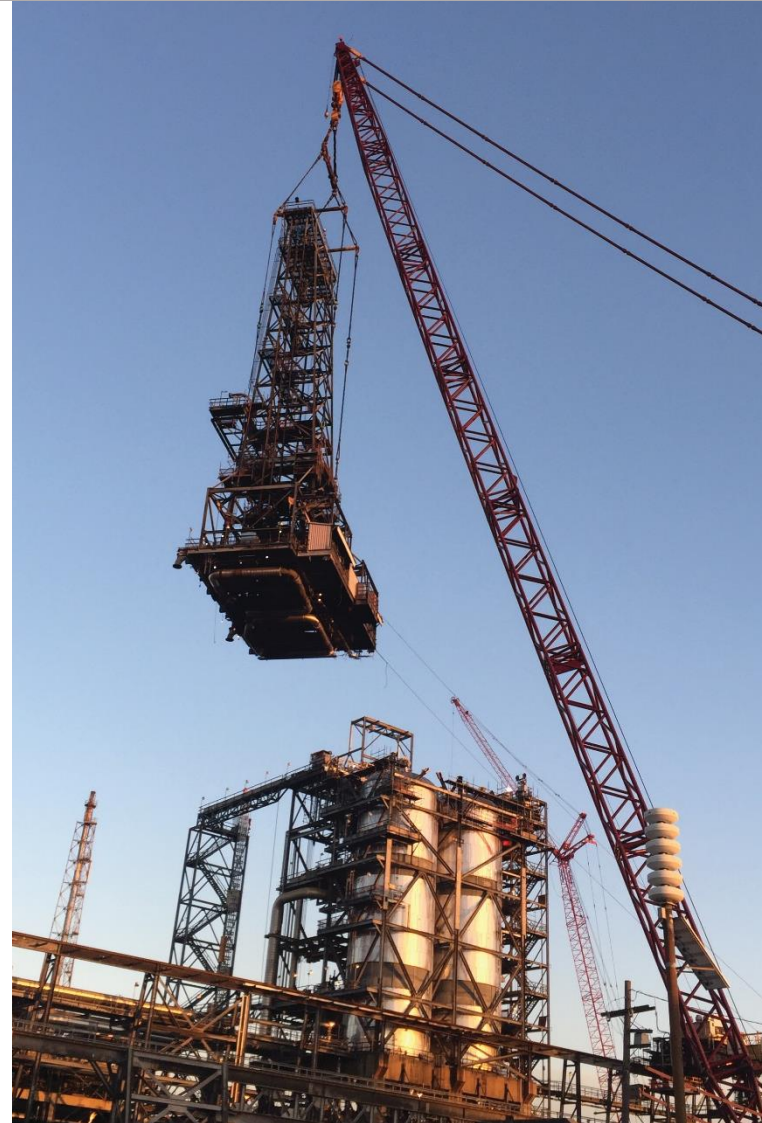


# Project highlight: Oil, Gas & Chemical



## Shell Deer Park Refinery Maya II Coke Drum Replacement on a single derrick, two-drum structure

- Installation of two new Coke Drums, each 18" greater in diameter than the existing drums and each weighing 1.1 million pounds
- Replacement required infrastructure expansion before the replacement could occur, which in turn meant pre-turnaround work to relocate and replace existing beams and structural members, install breakout spools, cut and replace grading and floor plate



# Market insight: Oil, Gas & Chemical



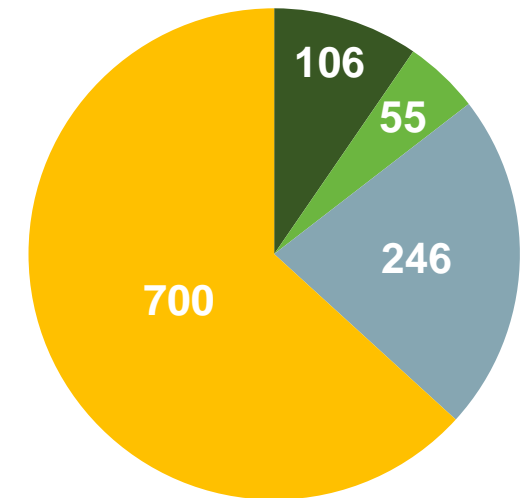
## Insight

- Oil & Gas - 407 estimated turnarounds for crude, reformer, FCCU, hydrocracker and coker units are anticipated in calendar 2016
- Chemical - 700 estimated turnarounds at chemical processing facilities are anticipated in calendar 2016

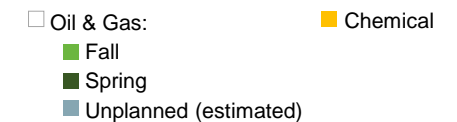
## Outlook

- U.S. refiners processed a record amount of crude oil feedstock in 2015 with lower than anticipated turnaround activity, which has continued in 2016
- Refiners are completing fewer major revamps and reducing capital expenditures as crack spreads on gasoline and diesel have narrowed and refined product supply is at record levels
- Project scopes are being minimized, however, ongoing delays may result in additional maintenance and repair work.

WITH PROVEN EXPERTISE IN OIL & GAS TURNAROUNDS AND PLANT MAINTENANCE, CHEMICAL REPRESENTS SIGNIFICANT OPPORTUNITY FOR GROWTH



ESTIMATED NUMBER OF TURNAROUNDS THROUGH CALENDAR YEAR 2016 BY TYPE





# Market insight: Industrial

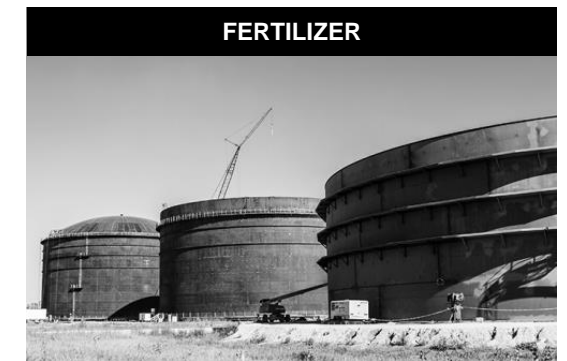
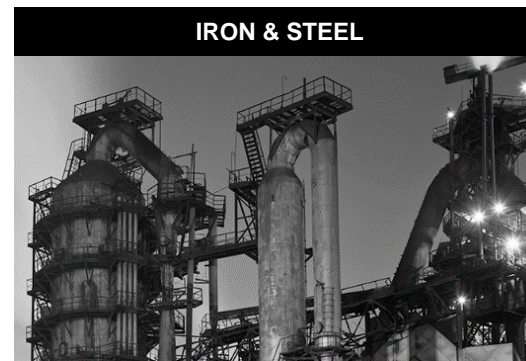
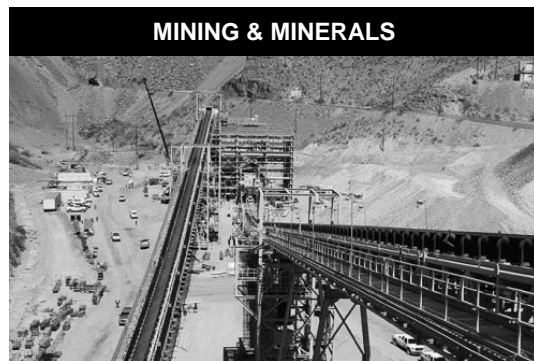
## CHALLENGES

- **Iron & Steel:**
  - Demand from the automotive sector remains strong
  - However, North American markets continue to suffer from a strong dollar position and aggressive supply from China
  - Recent rulings on import duties provide cautious optimism
  - Impact as a result of decline in upstream markets
- **Mining & Minerals:**
  - Lower commodity prices have companies seeking capex cuts, but production facilities in North America could see modest investments
  - Cuts in copper production by some producers have supported prices in recent months but a pick up in demand will be needed for a notable price increase
- **Fertilizer:** Low cost feedstock creates opportunity for new fertilizer facilities, but challenges in project financing persist

## OPPORTUNITIES

Despite market volatility, Matrix is positioned to win new project work in these key industrial markets:

- **Iron & Steel:** We maintain a preferred position in facility maintenance, capital projects and critical outage services
- **Mining & Minerals:** We continue to receive our fair share of construction and maintenance work
- **Fertilizer:**
  - Our work in building the first world-scale fertilizer plant in the U.S. in nearly 25 years has provided Matrix a strong reputation for quality EPC work in this space
  - We have since begun civil work on a 20-thousand ton Ammonia tank for a new greenfield fertilizer facility in the Midwest, with other opportunities pending



# Project highlight: Industrial



*An integrated steel producer with major facilities in the U.S., Canada and Central Europe and annual raw steelmaking capability of 27 million net tons*

More than 30 years providing blast furnace work and other facility maintenance

- Single source contractor for blast furnace work at the Gary Works and Granite City facilities
- Full year presence at Gary Works to perform surge maintenance work in all areas of the plant
- Full year presence at Clairton Works plant to perform coke battery maintenance repairs
- Primary contractor on recent installation of the Compact Bell Less Top and replacement of furnace proper components





