MATRIX SERVICE COMPANY

FY23 Q2

# EARNINGS CALL

# 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. To the extent the Company utilizes non-GAAP measures, reconciliations will be provided in various press releases and on the Company's website.

# CEO COMMENTARY

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# PERSONAL SAFETY ACCOUNTABILITY | ACT

- What is ACT?
  - Accountability – Commitment, expectations, tap roots
  - Communication - Incident trends, JSA's, Stop Work
  - Training – Orientations, Supervisor, Skills, S.T.A.R.T.

<u>*Leadership & Culture*</u>

ACCOUNTABILITY
COMMUNICATION
TRAINING

- What is my personal commitment to safety?
- Personal Safety Plan – Starts with fundamental questions:
  - "What are the reasons that I work safely?"
  - "What are the Top 3 things I can do to ensure ACTion?"
  - "How will I measure my commitment to achieving my Top 3?"
  - "What steps will I take to expand my safety skills and Knowledge?"
  - "How will I lead others to always work safely?"
- Keep it visible


We are all accountable for personal safety – at work or at home

# HIGHLIGHTS FOR THE QUARTER

1

### Continued Momentum in Project Awards

- Sixth consecutive quarter with a book-to-bill 1.0 or higher
- Continued uptick in larger Storage and Terminal projects, with additional awards expected

2

### Momentum Driven by Market Recovery and More Focused Approach

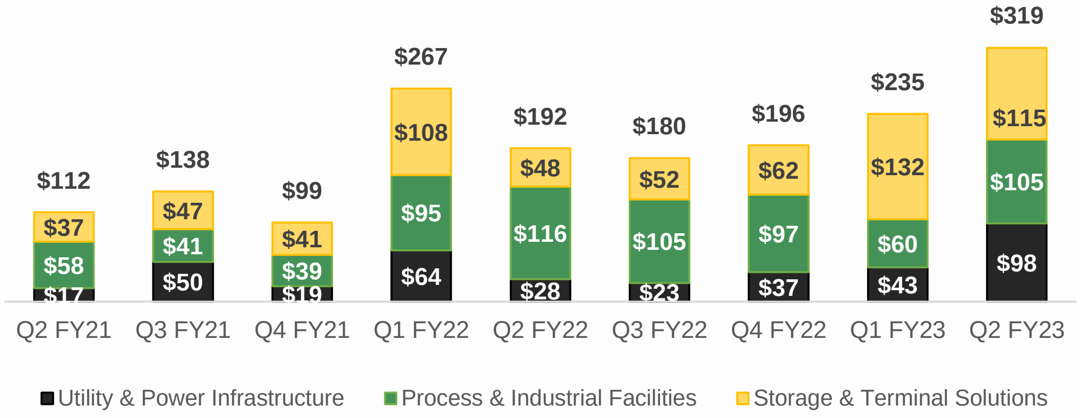
- Shifting opportunity pipeline focused on transition to low carbon economy energy mix
- Client investment plans improving and normalization of our operating environment

3

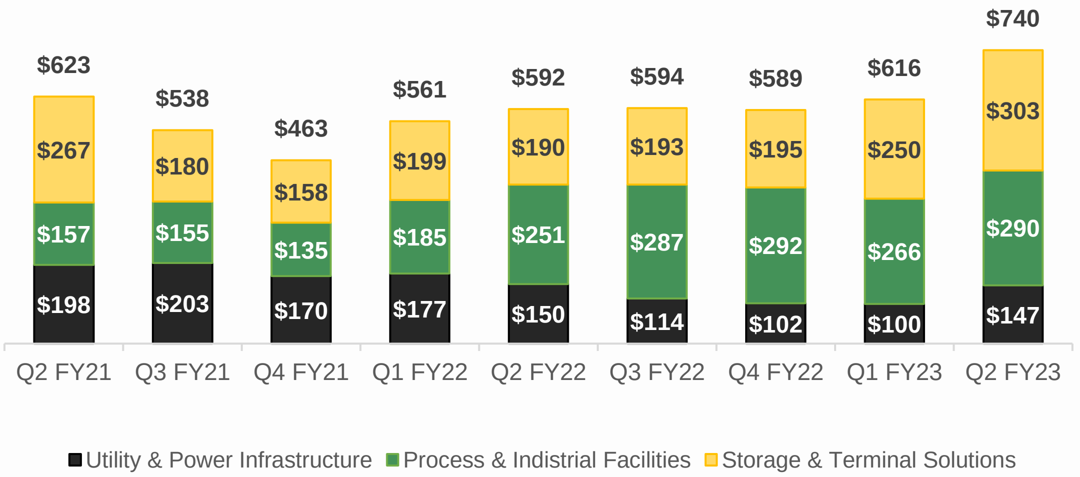
### Backlog of $740 million as of 12/31/2022

- Expect continued backlog growth through the remainder of FY2023 based upon the status of specific projects included in our opportunity pipeline

**Project Awards** *($ millions)*




**Ending Backlog** *($ millions)*

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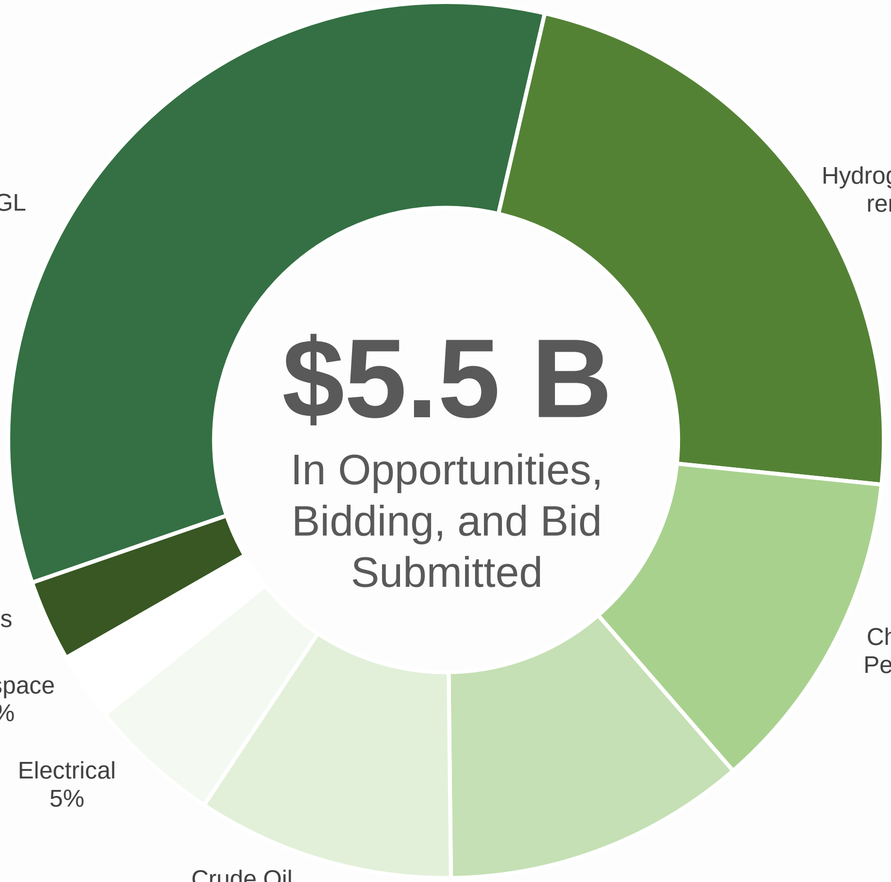
# GROWING CAPITAL PROJECTS OPPORTUNITY PIPELINE

The largest opportunities in the opportunity pipeline are in **Storage and Terminal Solutions.** Many of these opportunities have project values greater than **$75 million.** We expect to see continuing strong book-to-bill ratios and increasing backlog.

Project Opportunity Pipeline data is as December 31, 2022, for projects of $5 million or greater; does not include small capital projects or maintenance and repair.

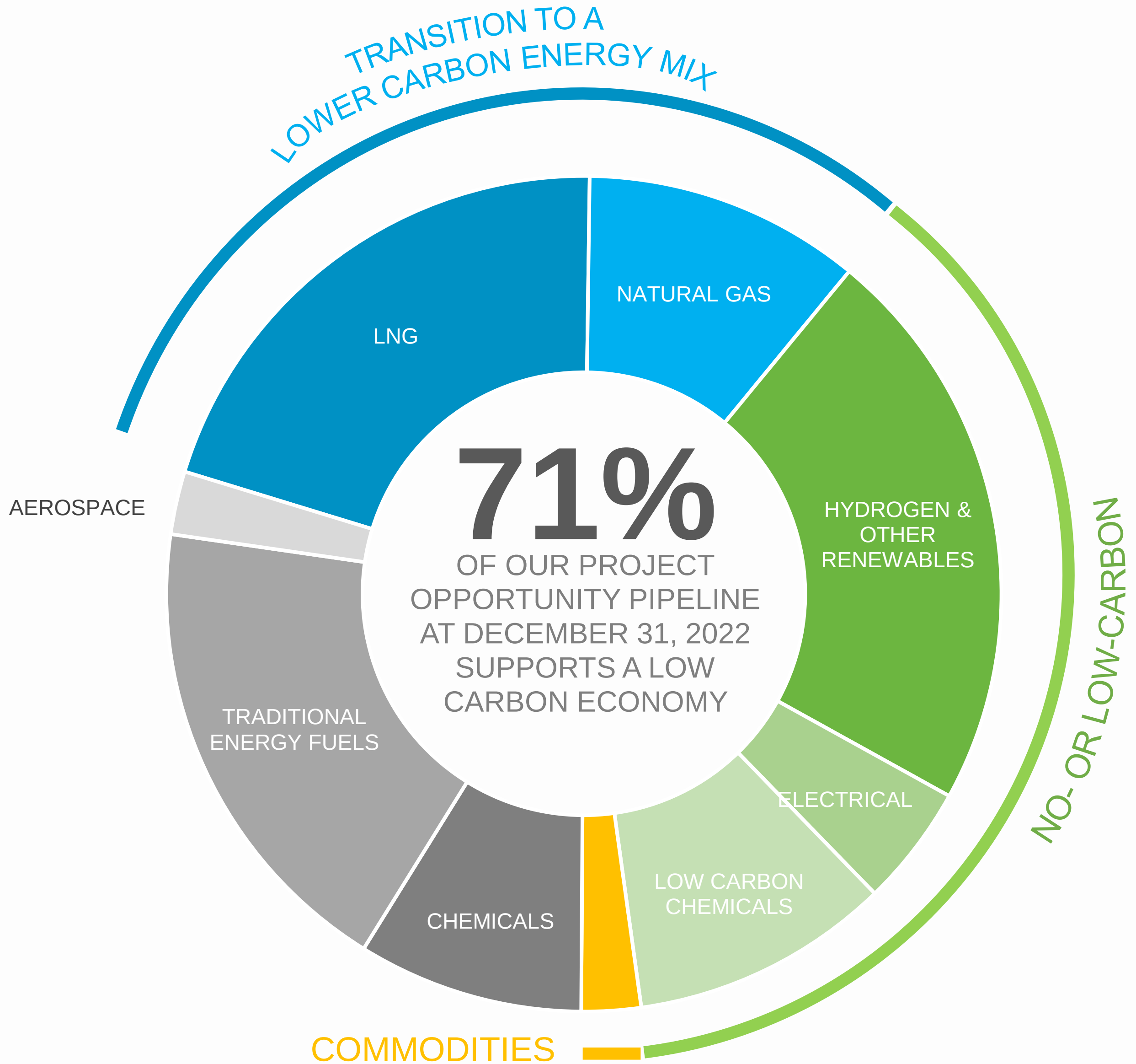
**Pipeline supports transition to a lower carbon energy mix, especially in LNG and NGLs, Hydrogen and other renewables**



# TRANSITIONING TO A LOWER CARBON ENERGY MIX

Enterprise-wide, our **skills and expertise are transferable** as the world and our clients transition to a lower carbon energy mix.

The engineering disciplines and world-class construction crews that established our leading brand in crude storage, as well as our strategic shift to specialty vessels, **positions Matrix to lead development of infrastructure for a lower carbon energy mix.**




Project Opportunity Pipeline data is as of December 31, 2022, for projects of $5 million or greater and does not include small capital projects or maintenance and repair.

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# OUR STORAGE EVOLUTION

The Matrix brand is **synonymous with best-in-class storage solutions**. Generating **60-70% of our revenue**, most of our storage projects today are for complex cryogenic storage, supporting the transition to clean energy.

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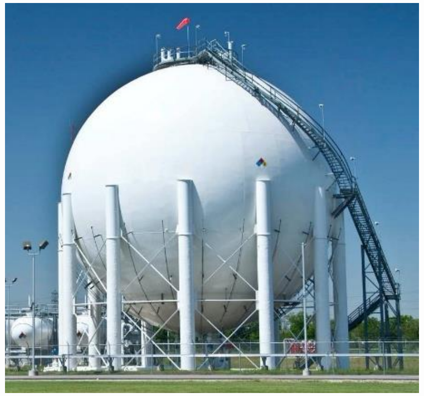
**FROM** → **TO**

ATMOSPHERIC FLAT BOTTOM STORAGE TANKS

COMPLEX SINGLE AND DOUBLE-WALL CRYOGENIC SPHERES AND TANKS

CRUDE OIL



NGLs (ETHANE, ETHYLENE)

LNG PEAK SHAVING

AMMONIA

LIN / LOX

LNG BUNKERING FUEL

HYDROGEN

Today's projects are typically fixed-price, providing for **lower working capital demand, with a stronger revenue and margin opportunity**.

# QUARTERLY TREND | CONSOLIDATED

| *(In millions except %)* | FY2022, Q1 | FY2022, Q2 | FY2022, Q3 | FY2022, Q4 | FY2023, Q1 | FY2023, Q2 |
|---|---|---|---|---|---|---|
| **Revenue** | $ 168,093 | $ 161,965 | $177,003 | $200,719 | $208,431 | **$193,040** |
| **Gross Profit (Loss)** | (3,508) | 3,207 | (1,763) | 858 | 13,008 | (1,302) |
| **Gross Margin** | (2.1%) | 2.0% | (1.0%) | 0.4% | 6.2% | **(0.7%)** |
| **SG&A Expense** | 16,629 | 15,922 | 17,041 | 18,098 | 16,811 | 17,545 |
| **Adjusted Operating Income** | (20,137) | (12,715) | (18,802) | (17,240) | (3,803) | **(18,847)** |
| **Adjusted Operating Income %** | (12.0%) | (7.9%) | (10.6%) | (8.6%) | (1.8%) | **(9.7%)** |
| **Income (Loss) Per Share** | $ (0.66) | $ (0.93) | $ (1.30) | $ 0.50 | $ (0.24) | $ (1.22) |
| **Adjusted Loss Per Share** | $ (0.60) | $ (0.38) | $ (0.50) | $ (0.52) | $ (0.15) | **$ (0.53)** |
| **Adjusted EBITDA** | $(14,278) | $ (7,091) | $(12,304) | $(11,962) | $ 844 | **$ (13,090)** |

- Revenue decreased in Q2 due to the timing of project awards and starts in the Storage and Terminal Solutions segment.
- Gross Margins impacted by $9.6 million adjustment on a gas processing project, which impacted earnings ~36 cents, and under recovered overhead costs, which impacted margins by 230 basis points.
- Earnings were also impacted by a $12.3 million non-cash impairment charge that reduced EPS by ~46 cents.

On an adjusted basis, the quarter loss was 53 cents per fully diluted share, of which 36 cents related to the margin adjustment on a gas processing project.

# RECONCILIATION OF CERTAIN NON-GAAP MEASURES

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|---|---|---|---|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Net Income (Loss), as reported | $ (32,827) | $ (24,919) | $ (39,339) | $ (42,457) |
| Goodwill Impairment | 12,316 | – | 12,316 | – |
| Restructuring Costs | 1,278 | 695 | 2,565 | 1,300 |
| Accelerated amortization of deferred debt amendment fees | – | – | – | 1,518 |
| Tax impact of restructuring costs and accelerated amortization of debt amendment fees | (3,499) | (179) | (3,830) | (725) |
| Deferred tax asset valuation allowance | 8,370 | 14,198 | 9,764 | 14,198 |
| Adjusted net loss | $ (14,362) | $ (10,205) | $ (18,524) | $ (26,166) |
| | | | | |
| Earnings (Loss) per fully diluted share | $ (1.22) | $ (0.93) | $ (1.46) | $ (1.59) |
| Adjusted loss per fully diluted share | $ (0.53) | $ (0.38) | $ (0.69) | $ (0.98) |

# QUARTERLY TREND | UTILITY & POWER INFRASTRUCTURE

| *(In millions except %)* | FY2022, Q1 | FY2022, Q2 | FY2022, Q3 | FY2022, Q4 | FY2023, Q1 | FY2023, Q2 |
|---|---|---|---|---|---|---|
| **Revenue** | $ 57,204 | $ 54,752 | $ 59,341 | $ 48,795 | $ 44,870 | **$50,535** |
| **Gross Profit (Loss)** | (6,107) | (491) | (492) | (1,497) | 1,714 | 2,426 |
| **Gross Margin** | (10.7%) | (0.9%) | (0.8%) | (3.1%) | 3.8% | **4.8%** |
| **SG&A Expense** | 3,050 | 3,150 | 2,910 | 2,663 | 1,738 | 1,787 |
| **Adjusted Operating Income** | (9,157) | (3,641) | (3,402) | (4,159) | (24) | **639** |
| **Adjusted Operating Income %** | (16.0%) | (6.6%) | (5.7%) | (8.5%) | (0.1%) | **1.3%** |

- Revenue increased on higher power delivery work. The previous peak shaver projects are substantially complete and the newly award peak shaver project will not begin to positively impact revenue until the end of the fiscal year.
- Gross margin is at its highest since FY2021. The improvement in the quarter improved overhead recovery.
- Returned to positive Operating Income and best performance since Q2 FY21.

Revenue improvement beginning in late FY2023 is expected with increased peak shaver work from the recently announced peak shaving upgrade project. Longer-term outlook is improving with strong funnel for additional peak shaver opportunities.

# QUARTERLY TREND | PROCESS & INDUSTRIAL FACILITIES

| *(In millions except %)* | FY2022, Q1 | FY2022, Q2 | FY2022, Q3 | FY2022, Q4 | FY2023, Q1 | FY2023, Q2 |
|---|---|---|---|---|---|---|
| **Revenue** | $ 43,905 | $ 50,316 | $ 68,971 | **$ 91,656** | $ 86,628 | **$80,789** |
| **Gross Profit (Loss)** | 2,871 | 4,235 | (441) | 2,607 | 4,330 | (5,131) |
| **Gross Margin** | 6.5% | 8.4% | (0.6%) | 2.8% | 5.0% | **(6.3%)** |
| **SG&A Expense** | 2,762 | 2,792 | 3,198 | 3,754 | 4,070 | 3,682 |
| **Adjusted Operating Income** | 109 | 1,443 | (3,637) | (1,147) | 260 | **(8,813)** |
| **Adjusted Operating Income %** | 0.2% | 2.9% | (5.3%) | (1.3%) | 0.3% | **(10.9%)** |

- Revenue continues at significantly higher level than the prior fiscal year, which is expected to continue to strengthen.
- Gross Margin was impacted by:
  - A $9.6 million adjustment on a gas processing project that is scheduled for mechanical completion in FY2023 Q4; excluding the project adjustment, gross margins were 5.6%
  - Under recovered overhead costs also impacted margins by 250 basis points

Revenue is expected to continue to improve into the back half of FY2023; operating income is also forecasted to improve on increased revenue and full recovery of construction overhead costs.

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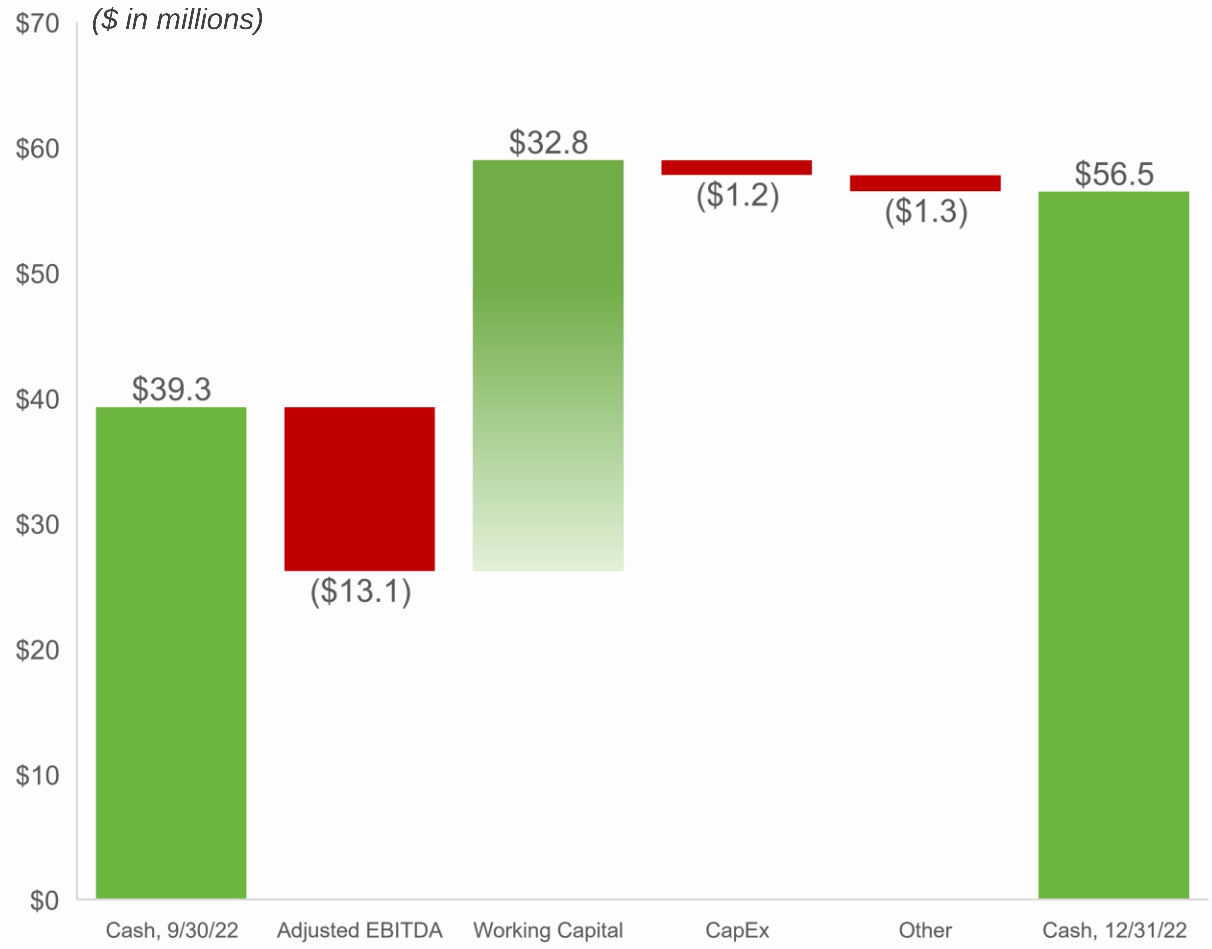
# QUARTERLY TREND | STORAGE & TERMINAL SOLUTIONS

| *(In millions except %)* | FY2022, Q1 | FY2022, Q2 | FY2022, Q3 | FY2022, Q4 | FY2023, Q1 | FY2023, Q2 |
|---|---|---|---|---|---|---|
| **Revenue** | $ 66,984 | $ 56,887 | $ 48,691 | $ 60,268 | $ 76,933 | **$62,516** |
| **Gross Profit (Loss)** | 413 | (172) | (458) | 478 | 7,564 | 1,648 |
| **Gross Margin** | 0.6% | (0.3%) | (0.9%) | 0.8% | 9.8% | **2.6%** |
| **SG&A Expense** | 4,506 | 4,280 | 4,063 | 4,434 | 4,158 | 5,450 |
| **Adjusted Operating Income** | (4,093) | (4,452) | (4,521) | (3,956) | 3,406 | **(3,802)** |
| **Adjusted Operating Income %** | (6.1%) | (7.8%) | (9.3%) | (6.6%) | 4.4% | **(6.1%)** |

- Revenue decreased as a result of timing on project awards and starts.
- Gross margins impacted 460 basis points from under recovery of construction overhead costs due to lower revenue.
- Gross margins also impact 260 basis points from increased forecasted costs to complete a smaller capital storage project that will be completed within the fiscal year.
- Forecasting significant revenue increase in FY2023 Q4 with expectations of gross margins at or near targeted 10% to 12%.

Operating performance expected to improve as recent project awards begin to meaningfully impact revenue in FY2023 Q4; prospects for long-term recovery is high with the recent and anticipated project awards.

# CASH BRIDGE | FY 2023, Q2




Cash improvement in FY 2023, Q2 was driven by **receipt of upfront payments from capital project customers**.

Based on forecasted mix of work, including increasing capital projects, **we expect liquidity to continue to improve** throughout the remainder of the fiscal year.

We continue to **proactively manage our balance sheet and liquidity**.

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# Q&A

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# APPENDIX

# ADJUSTED EBITDA

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|---|---|---|---|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Net Income (Loss), as reported | $ (32,827) | $ (24,919) | $ (39,339) | $ (42,457) |
| Goodwill Impairment | 12,316 | _ | 12,316 | _ |
| Restructuring Costs | 1,278 | 695 | 2,565 | 1,300 |
| Stock-Based Compensation | 1,692 | 1,866 | 3,747 | 3,735 |
| Interest Expense | 916 | 502 | 1,288 | 2,501 |
| Provision (Benefit) for Income Taxes | _ | 10,976 | _ | 5,711 |
| Depreciation and Amortization | 3,535 | 3,789 | 7,177 | 7,841 |
| Adjusted EBITDA | $ (13,090) | $ (7,091) | $ (12,246) | $ (21,369) |

# RECONCILIATION OF CERTAIN NON-GAAP MEASURES

| | THREE MONTHS ENDED DECEMBER 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Utility and Power Infrastructure | Process and Industrial Facilities | Storage and Terminal Solutions | Corporate | Total |
| Total Operating Income (Loss) | $ 639 | $ (21,511) | $ (4,185) | $ (7,384) | $ (32,441) |
| Goodwill Impairment | _ | 12,316 | _ | _ | 12,316 |
| Restructuring Costs | _ | 382 | 383 | 513 | 1,278 |
| Adjusted Operating Income (Loss) | $ 639 | $ (8,813) | $ (3,802) | $ (6,871) | $ (18,847) |

| | THREE MONTHS ENDED DECEMBER 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Utility and Power Infrastructure | Process and Industrial Facilities | Storage and Terminal Solutions | Corporate | Total |
| Total Operating Income (Loss) | $ (3,678) | $ 1,467 | $ (4,559) | $ (6,640) | $ (13,410) |
| Goodwill Impairment | _ | _ | _ | _ | _ |
| Restructuring Costs | 37 | (24) | 107 | 575 | 695 |
| Adjusted Operating Income (Loss) | $ (3,641) | $ 1,443 | $ (4,452) | $ (6,065) | $ (12,715) |

# RECONCILIATION OF CERTAIN NON-GAAP MEASURES

| | SIX MONTHS ENDED DECEMBER 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Utility and Power Infrastructure | Process and Industrial Facilities | Storage and Terminal Solutions | Corporate | Total |
| Total Operating Income (Loss) | $ 577 | $ (21,565) | $ (1,301) | $ (15,242) | $ (37,531) |
| Goodwill Impairment | _ | 12,316 | _ | _ | 12,316 |
| Restructuring Costs | 37 | 696 | 906 | 926 | 2,565 |
| Adjusted Operating Income (Loss) | $ 614 | $ (8,553) | $ (395) | $ (14,316) | $ (22,650) |

| | SIX MONTHS ENDED DECEMBER 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Utility and Power Infrastructure | Process and Industrial Facilities | Storage and Terminal Solutions | Corporate | Total |
| Total Operating Income (Loss) | $ (12,844) | $ 1,569 | $ (8,619) | $ (14,258) | $ (34,152) |
| Goodwill Impairment | _ | _ | _ | _ | _ |
| Restructuring Costs | 46 | (17) | 74 | 1,197 | 1,300 |
| Adjusted Operating Income (Loss) | $ (12,798) | $ 1,552 | $ (8,545) | $ (13,061) | $ (32,852) |