



May 7, 2015

## Matrix Service Company Reports Third Quarter Results and Revises Guidance

- Additional project charge on acquired EPC joint venture project and other project delays reduce quarterly earnings to a loss of \$0.11 per share
- Record backlog of \$1.24 billion
- Project awards of \$714.4 million in the quarter increase year-to-date bookings to \$1.3 billion
- Company's cash position improves to \$103.2 million

TULSA, Okla., May 7, 2015 (GLOBE NEWSWIRE) -- **Matrix Service Company** (Nasdaq:MTRX) today reported its financial results for the third quarter and nine months ended March 31, 2015.

"Our third quarter results were impacted by an additional charge related to the acquired EPC joint venture project in the Electrical Infrastructure segment," said John Hewitt, President and CEO of Matrix Service Company. "This charge is a result of labor compression and productivity losses, as well as technical issues that have created continued rework, installation and commissioning complexity, all of which has pushed the completion date beyond the previous forecast but still within fiscal 2015. In addition, the underlying results in the quarter and the balance of the fiscal year have been impacted by permitting delays, refinery strikes, high refinery utilization, weather disruption and slow project ramp ups."

In spite of these issues, the Company expressed confidence in its long-term strategy and with record backlog and a very robust proposal environment, expects continued growth in fiscal 2016.

"We have built a diversified foundation which, combined with the business environment and our strong financial position, ensures our long-term success. We will continue to invest in targeted acquisitions as well as our people, processes and systems to facilitate continuous improvement and sustainable success," said Hewitt.

The following financial results include the acquired EPC joint venture project. The Company has a 65 percent controlling interest in the joint venture and consolidates the joint venture operating results into the Company's financial statements and reports the minority interest holder's 35 percent share of joint venture activity as a non-controlling interest. The information below represents the consolidated results of the Company and, unless noted otherwise, includes 100 percent of the joint venture activity.

### Third Quarter Fiscal 2015 Results

Revenue for the third quarter ended March 31, 2015 was \$314.2 million compared to \$381.5 million in the same period a year earlier, a decrease of \$67.3 million, or 17.6%. In fiscal 2015, the Company recognized a net loss of \$3.0 million or \$0.11 per fully diluted share. In the same period a year earlier, the Company earned \$11.4 million, or \$0.42 per fully diluted share. The acquired EPC joint venture recorded a charge of \$28.5 million in the third quarter. The Company's portion of this charge totaled \$18.5 million which was partially offset by reductions in incentive compensation and reduced quarterly earnings by \$0.36 per fully diluted share.

On a segment basis, revenue decreased in the Storage Solutions, Electrical Infrastructure and Industrial segments by \$74.6 million, \$13.9 million and \$11.6 million respectively, partially offset by an increase in the Oil Gas & Chemical segment of \$32.8 million.

Consolidated gross profit was \$2.6 million in the three months ended March 31, 2015 compared to \$39.9 million in the three months ended March 31, 2014. Fiscal 2015 gross margins were reduced by 8.9% to 0.8% related to a charge of \$28.5 million on an acquired EPC joint venture power generation project. Fiscal 2014 gross margins were 10.5%.

Selling, general and administrative costs were \$17.1 million, in the third quarter of fiscal 2015 compared to \$21.1 million in the same period a year earlier. The reduction in SG&A expense is primarily attributable to lower incentive compensation expense in fiscal 2015. SG&A expense as a percentage of revenue decreased to 5.4% in the three months ended March 31, 2015 as compared to 5.5% for the three months ended March 31, 2014.

### Nine Month Fiscal 2015 Results

Revenue for the nine months ended March 31, 2015 was \$978.7 million compared to \$918.7 million in the same period a year

earlier, an increase of \$60.0 million, or 6.5%. In fiscal 2015, the Company earned net income of \$6.2 million or \$0.23 per fully diluted share. In the same period a year earlier, the Company earned \$28.3 million, or \$1.05 per fully diluted share. The acquired EPC joint venture recorded charges totaling \$54.7 million for the nine months. The Company's portion of these charges totaled \$35.6 million which was partially offset by reductions in incentive compensation and reduced earnings for the period by \$0.69 per fully diluted share.

On a segment basis, consolidated revenue increased in the Industrial, Oil Gas & Chemical and Electrical Infrastructure segments by \$93.0 million, \$37.0 million and \$30.2 million respectively, partially offset by a decrease in the Storage Solutions segment of \$100.2 million.

Consolidated gross profit was \$47.0 million in the nine months ended March 31, 2015 compared to \$99.6 million in the nine months ended March 31, 2014. Fiscal 2015 gross margins were reduced by 5.8% to 4.8% related to a charge of \$54.7 million on an acquired EPC joint venture power generation project. Fiscal 2014 gross margins were 10.8%.

Consolidated SG&A expenses were \$56.5 million in the nine months ended March 31, 2015 compared to \$55.2 million in the same period a year earlier. SG&A expense as a percentage of revenue was 5.8% in the nine months ended March 31, 2015 compared to 6.0% in the same period a year earlier.

## **Backlog**

Backlog at March 31, 2015 totaled \$1.24 billion, an increase of \$323.4 million, or 35.3%, compared to the backlog at June 30, 2014 of \$915.8 million. Backlog increased \$400.0 million, or 47.7%, compared to December 31, 2014 backlog of \$839.0 million. Project awards totaled \$714.4 million and \$1.30 billion in the three and nine months ended March 31, 2015, respectively.

## **Financial Position**

Availability under the Company's credit facility of \$89.9 million along with the Company's cash balance of \$103.2 million provided liquidity of \$193.1 million at March 31, 2015.

## **Earnings Guidance**

The Company expects revenue in the fourth quarter to be between \$360.0 million and \$400.0 million and earnings per fully diluted share to be between \$0.25 and \$0.30 and fiscal 2015 revenue to be between \$1.34 billion and \$1.38 billion and earnings per fully diluted share to be between \$0.48 and \$0.53.

## **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 10:00 a.m. (Eastern) / 9:00 a.m. (Central) on Friday, May 8, 2015 and will be simultaneously broadcast live over the Internet which can be accessed at the Company's website at [matrixservicecompany.com](http://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**  
(In thousands, except per share data)

|   | <b>Three Months Ended</b> |                  | <b>Nine Months Ended</b> |                  |
|---|---------------------------|------------------|--------------------------|------------------|
|   | <b>March 31,</b>          | <b>March 31,</b> | <b>March 31,</b>         | <b>March 31,</b> |
|   | <b>2015</b>               | <b>2014</b>      | <b>2015</b>              | <b>2014</b>      |
| Revenues  | \$ 314,155                | \$ 381,516       | \$ 978,718               | \$ 918,731       |
| Cost of revenues  | 311,523                   | 341,572          | 931,752                  | 819,161          |
| Gross profit  | 2,632                     | 39,944           | 46,966                   | 99,570           |
| Selling, general and administrative expenses                    | 17,080                    | 21,125           | 56,538                   | 55,172           |
| Operating income (loss)   | (14,448)                  | 18,819           | (9,572)                  | 44,398           |
| Other income (expense):   |                           |                  |                          |                  |
| Interest expense  | (294)                     | (324)            | (946)                    | (898)            |
| Interest income   | 40                        | 44               | 390                      | 57               |
| Other   | 252                       | 9                | 281                      | (147)            |
| Income (loss) before income tax expense                         | (14,450)                  | 18,548           | (9,847)                  | 43,410           |
| Provision for federal, state and foreign income taxes           | (1,508)                   | 6,756            | 3,271                    | 14,755           |
| Net income (loss)   | \$ (12,942)               | \$ 11,792        | \$ (13,118)              | \$ 28,655        |
| Less: Net income (loss) attributable to noncontrolling interest | (9,983)                   | 396              | (19,359)                 | 401              |
| Net income (loss) attributable to Matrix Service Company        | <u>\$ (2,959)</u>         | <u>\$ 11,396</u> | <u>\$ 6,241</u>          | <u>\$ 28,254</u> |
| Basic earnings (loss) per common share                          | \$ (0.11)                 | \$ 0.43          | \$ 0.23                  | \$ 1.08          |
| Diluted earnings (loss) per common share                        | \$ (0.11)                 | \$ 0.42          | \$ 0.23                  | \$ 1.05          |
| Weighted average common shares outstanding:                     |                           |                  |                          |                  |
| Basic   | 26,711                    | 26,374           | 26,593                   | 26,244           |
| Diluted   | 26,711                    | 27,040           | 27,175                   | 26,898           |

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

|  | <b>March 31, June 30,</b> |             |
|--|---------------------------|-------------|
|  | <b>2015</b>               | <b>2014</b> |
| <b>Assets</b>  |                           |             |
| Current assets:  |                           |             |
| Cash and cash equivalents  | \$ 103,183                | \$ 77,115   |
| Accounts receivable, less allowances (March 31, 2015— \$492 and June 30, 2014—\$204) | 188,579                   | 204,692     |
| Costs and estimated earnings in excess of billings on uncompleted contracts          | 77,340                    | 73,008      |
| Deferred income taxes  | 6,705                     | 5,994       |
| Inventories  | 2,875                     | 3,045       |
| Income taxes receivable  | 7,326                     | 2,797       |
| Other current assets   | 6,831                     | 8,897       |
| Total current assets   | 392,839                   | 375,548     |

Property, plant and equipment at cost:

|                               |            |            |
|-------------------------------|------------|------------|
| Land and buildings            | 31,935     | 31,737     |
| Construction equipment        | 86,304     | 82,745     |
| Transportation equipment      | 46,524     | 42,087     |
| Office equipment and software | 26,968     | 26,026     |
| Construction in progress      | 6,266      | 9,892      |
|                               | 197,997    | 192,487    |
| Accumulated depreciation      | (112,234)  | (103,315)  |
|                               | 85,763     | 89,172     |
| Goodwill                      | 71,377     | 69,837     |
| Other intangible assets       | 25,156     | 28,676     |
| Other assets                  | 3,871      | 5,699      |
| Total assets                  | \$ 579,006 | \$ 568,932 |

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

|  | March 31,<br>2015 | June 30,<br>2014  |
|--|-------------------|-------------------|
| <b>Liabilities and stockholders' equity</b>  |                   |                   |
| Current liabilities:   |                   |                   |
| Accounts payable   | \$ 90,478         | \$ 111,863        |
| Billings on uncompleted contracts in excess of costs and estimated earnings  | 139,446           | 108,440           |
| Accrued wages and benefits   | 32,067            | 36,226            |
| Accrued insurance  | 8,946             | 8,605             |
| Income taxes payable   | 1,955             | —                 |
| Other accrued expenses   | 14,995            | 4,727             |
| Total current liabilities  | 287,887           | 269,861           |
| Deferred income taxes  | 5,484             | 5,167             |
| Borrowings under senior credit facility  | 9,934             | 11,621            |
| Total liabilities  | 303,305           | 286,649           |
| 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 March 31, 2015, and June 30, 2014 | 279               | 279               |
| Additional paid-in capital   | 121,462           | 119,777           |
| Retained earnings  | 183,478           | 177,237           |
| Accumulated other comprehensive loss   | (6,178)           | (182)             |
|  | 299,041           | 297,111           |
| Less: Treasury stock, at cost—1,173,656 shares as of March 31, 2015, and 1,453,770 shares as of June 30, 2014                | (13,550)          | (16,595)          |
| Total Matrix Service Company stockholders' equity  | 285,491           | 280,516           |
| Noncontrolling interest  | (9,790)           | 1,767             |
| Total stockholders' equity   | 275,701           | 282,283           |
| Total liabilities and stockholders' equity   | <u>\$ 579,006</u> | <u>\$ 568,932</u> |

**Matrix Service Company**

**Results of Operations**

(In thousands)

|                                     | <u>Three Months Ended</u> |                   | <u>Nine Months Ended</u> |                   |
|-------------------------------------|---------------------------|-------------------|--------------------------|-------------------|
|                                     | <u>March 31,</u>          | <u>March 31,</u>  | <u>March 31,</u>         | <u>March 31,</u>  |
|                                     | <u>2015</u>               | <u>2014</u>       | <u>2015</u>              | <u>2014</u>       |
| <b>Gross revenues</b>               |                           |                   |                          |                   |
| Electrical Infrastructure           | \$ 48,228                 | \$ 62,144         | \$ 162,434               | \$ 132,201        |
| Oil Gas & Chemical                  | 97,612                    | 63,112            | 228,230                  | 188,025           |
| Storage Solutions                   | 107,640                   | 182,129           | 370,977                  | 471,330           |
| Industrial                          | <u>64,841</u>             | <u>74,577</u>     | <u>224,173</u>           | <u>128,398</u>    |
| Total gross revenues                | <u>\$ 318,321</u>         | <u>\$ 381,962</u> | <u>\$ 985,814</u>        | <u>\$ 919,954</u> |
| <b>Less: Inter-segment revenues</b> |                           |                   |                          |                   |
| Electrical Infrastructure           | \$ —                      | \$ —              | \$ —                     | \$ —              |
| Oil Gas & Chemical                  | 1,854                     | 118               | 3,656                    | 425               |
| Storage Solutions                   | 477                       | 328               | 718                      | 798               |
| Industrial                          | <u>1,835</u>              | <u>—</u>          | <u>2,722</u>             | <u>—</u>          |
| Total inter-segment revenues        | <u>\$ 4,166</u>           | <u>\$ 446</u>     | <u>\$ 7,096</u>          | <u>\$ 1,223</u>   |
| <b>Consolidated revenues</b>        |                           |                   |                          |                   |
| Electrical Infrastructure           | \$ 48,228                 | \$ 62,144         | \$ 162,434               | \$ 132,201        |
| Oil Gas & Chemical                  | 95,758                    | 62,994            | 224,574                  | 187,600           |
| Storage Solutions                   | 107,163                   | 181,801           | 370,259                  | 470,532           |
| Industrial                          | <u>63,006</u>             | <u>74,577</u>     | <u>221,451</u>           | <u>128,398</u>    |
| Total consolidated revenues         | <u>\$ 314,155</u>         | <u>\$ 381,516</u> | <u>\$ 978,718</u>        | <u>\$ 918,731</u> |
| <b>Gross profit (loss)</b>          |                           |                   |                          |                   |
| Electrical Infrastructure           | \$ (22,429)               | \$ 5,971          | \$ (38,976)              | \$ 13,155         |
| Oil Gas & Chemical                  | 7,261                     | 7,397             | 18,999                   | 21,614            |
| Storage Solutions                   | 11,247                    | 19,269            | 39,996                   | 51,894            |
| Industrial                          | <u>6,553</u>              | <u>7,307</u>      | <u>26,947</u>            | <u>12,907</u>     |
| Total gross profit                  | <u>\$ 2,632</u>           | <u>\$ 39,944</u>  | <u>\$ 46,966</u>         | <u>\$ 99,570</u>  |
| <b>Operating income (loss)</b>      |                           |                   |                          |                   |
| Electrical Infrastructure           | \$ (24,306)               | \$ 2,498          | \$ (46,484)              | \$ 4,658          |
| Oil Gas & Chemical                  | 2,563                     | 3,252             | 5,823                    | 8,922             |
| Storage Solutions                   | 5,055                     | 10,084            | 18,785                   | 26,676            |
| Industrial                          | <u>2,240</u>              | <u>2,985</u>      | <u>12,304</u>            | <u>4,142</u>      |
| Total operating income              | <u>\$ (14,448)</u>        | <u>\$ 18,819</u>  | <u>\$ (9,572)</u>        | <u>\$ 44,398</u>  |

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

**Operating activities:**

|                   | <u>Nine Months Ended</u> |                  |
|-------------------|--------------------------|------------------|
|                   | <u>March 31,</u>         | <u>March 31,</u> |
|                   | <u>2015</u>              | <u>2014</u>      |
| Net income (loss) | \$ (13,118)              | \$ 28,655        |

|   |              |              |
|---|--------------|--------------|
| Adjustments to reconcile net income to net cash provided (used) by operating activities:                    |              |              |
| Depreciation and amortization   | 17,332       | 12,945       |
| Deferred income tax   | (1,026)      | (4,501)      |
| Gain on sale of property, plant and equipment   | (305)        | (39)         |
| Provision for uncollectible accounts  | 419          | (81)         |
| Stock-based compensation expense  | 4,730        | 3,905        |
| Excess tax benefit of exercised stock options and vesting of deferred shares                                | (1,764)      | (1,597)      |
| Other   | 178          | 150          |
| Changes in operating assets and liabilities increasing (decreasing) cash, net of effects from acquisitions: |              |              |
| Accounts receivable   | 17,353       | (58,955)     |
| Costs and estimated earnings in excess of billings on uncompleted contracts                                 | (4,332)      | (10,901)     |
| Inventories   | 170          | (109)        |
| Other assets and liabilities  | 2,425        | 7,335        |
| Accounts payable  | (23,025)     | 38,734       |
| Billings on uncompleted contracts in excess of costs and estimated earnings                                 | 31,006       | (4,684)      |
| Accrued expenses  | <u>6,932</u> | <u>9,298</u> |
| Net cash provided by operating activities   | 36,975       | 20,155       |
| <b>Investing activities:</b>  |              |              |
| Acquisition of property, plant and equipment  | (11,075)     | (17,834)     |
| Acquisition   | (5,551)      | (51,398)     |
| Proceeds from asset sales   | <u>653</u>   | <u>327</u>   |
| Net cash used by investing activities   | \$ (15,973)  | \$ (68,905)  |

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

|  | <u>Nine Months Ended</u> |                         |
|--|--------------------------|-------------------------|
|  | March 31, March 31,      |                         |
|  | <u>2015</u>              | <u>2014</u>             |
| <b>Financing activities:</b>   |                          |                         |
| Proceeds from noncontrolling interest  | \$ 7,802                 | \$ —                    |
| Issuances of common stock  | 493                      | 1,076                   |
| Excess tax benefit of exercised stock options and vesting of deferred shares               | 1,764                    | 1,597                   |
| Payment of debt amendment fees   | —                        | (507)                   |
| Advances under credit agreement  | 8,289                    | 68,970                  |
| Repayments of advances under credit agreement  | (9,976)                  | (23,867)                |
| Proceeds from issuance of common stock under employee stock purchase plan                  | 215                      | 76                      |
| Repurchase of common stock for payment of statutory taxes due on equity-based compensation | <u>(2,472)</u>           | <u>(1,678)</u>          |
| Net cash provided (used) by financing activities   | 6,115                    | 45,667                  |
| Effect of exchange rate changes on cash  | <u>(1,049)</u>           | <u>(909)</u>            |
| Net increase (decrease) in cash and cash equivalents                                       | 26,068                   | (3,992)                 |
| Cash and cash equivalents, beginning of period   | <u>77,115</u>            | <u>63,750</u>           |
| Cash and cash equivalents, end of period   | <u><u>\$ 103,183</u></u> | <u><u>\$ 59,758</u></u> |
| <b>Supplemental disclosure of cash flow information:</b>                                   |                          |                         |
| Cash paid during the period for:   |                          |                         |
| Income taxes   | <u><u>\$ 6,700</u></u>   | <u><u>\$ 11,445</u></u> |
| Interest   | <u><u>\$ 1,019</u></u>   | <u><u>\$ 579</u></u>    |

Non-cash investing and financing activities:

|   |                 |               |
|---|-----------------|---------------|
| Purchases of property, plant and equipment on account | <u>\$ 1,104</u> | <u>\$ 965</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 March 31, 2015**

The following table provides a summary of changes in our backlog for the three months ended March 31, 2015:

|                                 | Electrical<br>Infrastructure | Oil Gas &<br>Chemical | Storage<br>Solutions | Industrial        | Total               |
|---------------------------------|------------------------------|-----------------------|----------------------|-------------------|---------------------|
| (In thousands)                  |                              |                       |                      |                   |                     |
| Backlog as of December 31, 2014 | \$ 124,158                   | \$ 147,707            | \$ 446,877           | \$ 120,229        | \$ 838,971          |
| Project awards                  | 477,138                      | 81,665                | 68,588               | 87,028            | 714,419             |
| Revenue recognized              | (48,228)                     | (95,758)              | (107,163)            | (63,006)          | (314,155)           |
| Backlog as of March 31, 2015    | <u>\$ 553,068</u>            | <u>\$ 133,614</u>     | <u>\$ 408,302</u>    | <u>\$ 144,251</u> | <u>\$ 1,239,235</u> |

### **Nine Months Ended March 31, 2015**

The following table provides a summary of changes in our backlog for the nine months ended March 31, 2015:

|                              | Electrical<br>Infrastructure | Oil Gas &<br>Chemical | Storage<br>Solutions | Industrial        | Total               |
|------------------------------|------------------------------|-----------------------|----------------------|-------------------|---------------------|
| (In thousands)               |                              |                       |                      |                   |                     |
| Backlog as of June 30, 2014  | \$ 162,136                   | \$ 110,217            | \$ 482,631           | \$ 160,842        | \$ 915,826          |
| Project awards               | 553,366                      | 247,971               | 295,930              | 204,860           | 1,302,127           |
| Revenue recognized           | (162,434)                    | (224,574)             | (370,259)            | (221,451)         | (978,718)           |
| Backlog as of March 31, 2015 | <u>\$ 553,068</u>            | <u>\$ 133,614</u>     | <u>\$ 408,302</u>    | <u>\$ 144,251</u> | <u>\$ 1,239,235</u> |

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