Matrix Service Announces Second Quarter Fiscal 2010 Results of $0.17 Per Fully Diluted Share

Second Quarter Fiscal 2010 Highlights:
- Revenues were $150.4 million,
- Gross margins were 12.3%,
- Net income was $4.5 million,
- Fully diluted EPS was $0.17 per share,
- Backlog was $323.7 million as of December 31, 2009, and
- Cash was $61.4 million as of December 31, 2009.

Six Month Fiscal 2010 Highlights:
- Revenues were $288.1 million,
- Gross margins were 12.4%, and
- Fully diluted EPS was $0.34 per share.

TULSA, OK – February 4, 2010 – Matrix Service Co. (Nasdaq: MTRX), a leading industrial services company, today reported its financial results for the three and six months ended December 31, 2009.

Second Quarter of Fiscal 2010 Results
Net income for the second quarter of fiscal 2010 was $4.5 million, or $0.17 per fully diluted share on total revenues of $150.4 million. Second quarter operating results included a charge related to collection costs on claims acquired in a recent acquisition of $0.9 million or $0.02 per fully diluted share. Total revenues were $176.9 million and net income was $10.1 million, or $0.38 per fully diluted share, in the comparable period a year earlier.

“As we expected, the market environment continued to be challenging through the end of calendar 2009,” said Michael J. Bradley, president and CEO of Matrix Service Company. “The Matrix Service team executed at a high level while further strengthening our financial condition. Although some awards are occurring later than expected, we continue to see strong bid flow, especially in our Construction Services segment where second quarter backlog awards were at their highest quarterly amount in almost two years and totaled over $100 million. The growth in our Electrical and Instrumentation business contributed significantly to second quarter awards and demonstrates our diversification and expanded capabilities which is allowing us to pursue projects of greater scale and complexity.”

Revenues for the Construction Services segment were $80.6 million, compared with $100.1 million in fiscal 2009. The decrease of $19.5 million was primarily due to delays in project awards and a decline in our customers’ capital spending. Revenues for the Repair and Maintenance Services segment were $69.8 million in fiscal 2010 compared to $76.8 million in fiscal 2009. The decline was due to customers applying discretion to the scope and timing of maintenance programs.

Consolidated gross profit decreased from $26.4 million in fiscal 2009 to $18.4 million in fiscal 2010. The decrease of $8.0 million was due to lower revenues in fiscal 2010 and lower gross margins, which decreased to 12.3% in fiscal 2010 compared to 14.9% a year earlier. Gross margins in the Repair and Maintenance Services segment were 9.4% in the current fiscal year compared to 17.7% in the prior fiscal year. Construction Services segment gross margins were 14.8% in the current fiscal year compared to 12.7% in fiscal 2009. Gross margins in both segments were negatively affected by a lower volume of business available to recover construction overhead costs. Consolidated SG&A expenses decreased 3.4% to $11.4 million in fiscal 2010 compared to $11.8 million for fiscal 2009. The decline in SG&A expenses is due to our on-going cost reduction efforts related primarily to employee related costs and professional fees, partially offset by a charge of $0.9 million in fiscal 2010 related to the collection of claims acquired in a recent acquisition.

Six Month Fiscal 2010 Results
Net income for fiscal 2010 was $9.0 million, or $0.34 per fully diluted share, on total revenues of $288.1 million. Fiscal 2010 operating results include charges related to a legal matter of $1.3 million, or $0.03 per fully diluted share, and $0.9 million, or $0.02 per fully diluted share, related to collection costs on claims acquired in a recent acquisition. Total revenues were $363.6 million and net income was $19.6 million or $0.74 per fully diluted share in fiscal 2009.

Revenues for the Construction Services segment were $158.3 million compared with $214.9 million in fiscal 2009. The decrease of $56.6 million was primarily due to delays in project awards and a decline in our customers’ capital spending. Revenues for the Repair and Maintenance Services segment were $129.8 million in fiscal 2010 compared to $148.7 million in fiscal 2009. The decline was due to customers applying discretion to the scope and timing of maintenance programs.

Consolidated gross profit decreased from $53.0 million in fiscal 2009 to $35.9 million in fiscal 2010. The reduction of $17.1 million was due primarily to the decrease in revenues and lower gross margins of 12.4% in fiscal 2010 compared to 14.6% in fiscal 2009. Gross margins in the Repair and Maintenance Services segment were 9.9% in the current fiscal year versus 17.0% in the prior fiscal year. Construction Services segment gross margins were 14.5% in the current fiscal year compared to 12.9% in fiscal 2009. Gross margins in both segments were negatively affected by a lower volume of business available to recover construction overhead costs. Consolidated SG&A expenses decreased $2.3 million to $21.5 million fiscal 2010 compared to $23.8 million for fiscal 2009. The decline in SG&A expenses is due to our on-going cost reduction efforts related primarily to employee related costs and professional fees, partially offset by a charge of $0.9 million incurred in fiscal 2010 related to the collection of claims acquired in a recent acquisition.

Backlog
Consolidated backlog as of December 31, 2009 was $323.7 million compared to $328.1 million as of September 30, 2009.

Financial Position
During the second quarter, the Company increased its cash balance from $56.5 million as of September 30, 2009, to $61.4 million as of December 31, 2009. The Company did not borrow under its $75.0 million revolving credit facility during the six months ended December 31, 2009.

Earnings Guidance
The outlook for the Construction Services segment is improving, but the timing of project awards continues to lag expectations. The Repair and Maintenance Services segment continues to be affected by the lingering weakness in the economy and energy sector which has caused an overall softening of the Aboveground Storage Tank market and weak fundamentals within the refining industry. As a result, Matrix Service expects to achieve earnings toward the lower end our of our previously stated EPS guidance of $0.80 to $1.10 per fully diluted share, excluding the legal charge previously announced of $0.03 per fully diluted share and the charge related to collection costs on claims acquired in a recent acquisition of $0.02 per fully diluted share.

Conference Call Details
In conjunction with the press release, Matrix Service will host a conference call with Michael J. Bradley, president and CEO, and Thomas E. Long, vice president and CFO. The call will take place at 11:00 a.m. (Eastern) / 10:00 a.m. (Central) today and will be simultaneously broadcast live over the Internet at www.matrixservice.com or www.vcall.com. 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 online archive of the broadcast will be available within one hour of completion of the live call.

About Matrix Service Company
Matrix Service Company provides engineering, construction and repair and maintenance services principally to the petroleum, petrochemical, power, bulk storage terminal, pipeline and industrial gas industries.

The Company is headquartered in Tulsa, Oklahoma, with regional operating facilities located in California, Delaware, Illinois, Michigan, New Jersey, Oklahoma, Pennsylvania, Texas, and Washington in the U.S. and in 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.

For more information, please contact:

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