

Presentation to the Board



MATRIX SERVICE

October 2020

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About Engine Capital

- Founded in 2013, Engine Capital invests in small and mid-capitalization companies in the U.S. and Canada
- Focused on fundamental, bottoms-up analysis to find undervalued securities
- Since its founding, Engine has settled with or negotiated board representation at 20 public companies leading to the addition of 29 board members
- Extensive experience in the Engineering and Construction (E&C) industry. Principals at Engine have been part of the team that took Hill International and Primoris Services public through mergers with SPACs and currently have board representation at MYR Group (Nasdaq: MYRG) and Hill International (NYSE: HIL)

Our Investment in Matrix Service

- Engine has followed Matrix for years as part of its continued work in the E&C space
- Invested for the first time in May 2017 following problems at a large power project in the Electrical Infrastructure segment
- Re-underwrote the investment earlier this year by conducting detailed due diligence on Matrix including discussing the business with former executives, industry experts, competitors, and investment bankers

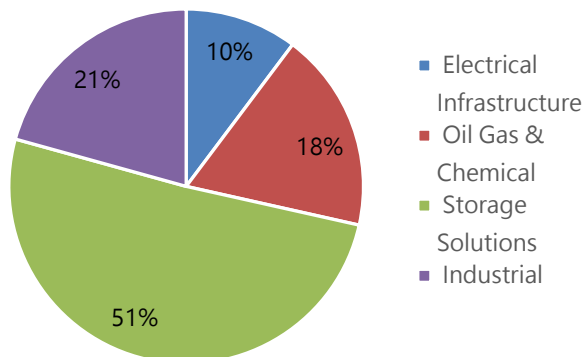
Prior or current E&C Investments include



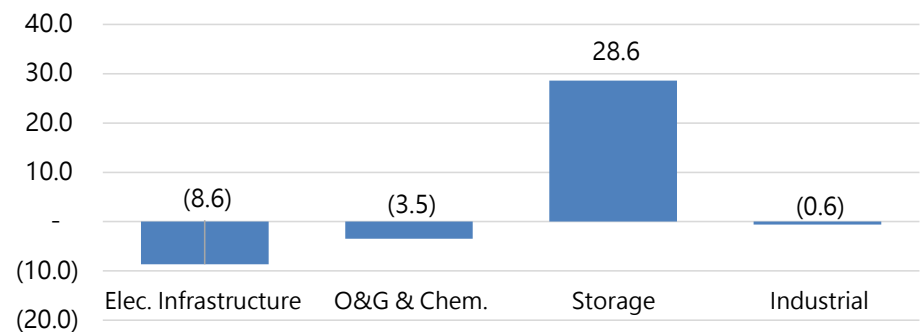
Matrix Service Company

- Matrix Service is a specialty construction and maintenance services business operating primarily in North America. The Company has a long history in the storage solutions business and is a top two operator in that end market
- Matrix operates in four segments (will be reduced to three in fiscal year 2021)
 - **Electrical Infrastructure:** Provides construction and maintenance work for power generation facilities, short haul transmission lines, and high voltage services for investor owned utilities
 - **Oil, Gas & Chemical:** Provides turnaround and other routine plant maintenance and construction services as well as specialized industrial cleaning services
 - **Storage Solutions:** Construction of above-ground storage tanks, balance of work in storage terminals and tank farms, and maintenance services. Products stored primarily include crude and refined oil product, with LNG, liquid nitrogen/liquid oxygen, and LPG offering opportunities for more complex specialty tank work
 - **Industrial:** Provides construction and maintenance services to the iron and steel, mining and minerals, bulk materials handling, fertilizer, and other industrial customers in North America

2020 Segment Revenue



2020 Segment Adj. Operating Profit (\$M)



Situation Overview

We believe there is significant opportunity for the MTRX board to create shareholder value, but it needs to move aggressively. The status quo is simply not sustainable

Long-Term Observations

Subpar historical returns	MTRX has significantly underperformed peer companies and indexes over every relevant time period
Growth strategy failure	After years of trying to diversify, the storage business continues to be the only consistently profitable business
Poor operating performance	EBITDA margin has steadily come down over the last few years leading to unacceptable ROIC
Poor capital allocation	Poor M&A track record leading to significant write downs combined with poorly-timed share repurchases
Misalignment of incentives	Executive compensation not aligned with shareholder returns combined with little insider ownership

Engine's Current Concerns

MTRX trading below tangible book value with an enterprise value just above \$100 million. Company arguably too small to remain public

Despite recent restructuring, SG&A is too large for a company of MTRX size. \$80 million of run-rate SG&A overwhelms profitability

Despite M&A poor track record, management wants to continue pursuing acquisitions in the electrical and renewable space. Given management's poor track record, this would put at risk one of MTRX's most valuable assets – its \$100 million cash balance

Flawed compensation structure including a peer group that is significantly larger than MTRX and no ownership culture as evidenced by the lack of insider buying

Agenda

- **Subpar Historical Returns and Valuation**
- Growth Strategy Failure Due to
 - 1 Operational performance
 - Corporate EBITDA Margin
 - Electrical Infrastructure Division
 - SG&A level
 - 2 Capital Allocation Performance
 - Free Cash Flows
 - M&A
 - Share Buybacks
- Misalignment of Incentives
 - Executive Compensation
 - Insider Buying
- Conclusions and Recommendations

MTRX is Down 40% Since the Appointment of the Current CEO

MTRX Share Performance Since Mr. Hewitt's Appointment as CEO¹



1. Mr. Hewitt was appointed CEO on May 4, 2011. Stock chart from May 4, 2011 to Sept 25, 2020

MTRX Has Also Significantly Underperformed Peers Over any Relevant Time Period

MTRX Historical Share Performance Relative to Peers^{1,2}

Company Name	TSR (1-Year)	TSR (3-Year)	TSR (5-Year)	TSR (Since 5/4/11)
Aegion Corporation	(34.1%)	(39.2%)	(16.5%)	(43.8%)
Argan, Inc.	10.7%	(28.4%)	35.6%	500.0%
Babcock & Wilcox Enterprises, Inc.	(48.9%)	(93.2%)	(98.6%)	0.0%
Dycom Industries, Inc.	7.8%	(32.2%)	(27.9%)	286.2%
EMCOR Group, Inc.	(23.4%)	(2.1%)	50.7%	127.7%
Granite Construction Incorporated	(44.0%)	(68.3%)	(37.8%)	(22.8%)
Great Lakes Dredge & Dock Corporation	(6.9%)	103.4%	80.5%	41.9%
IES Holdings, Inc.	45.6%	84.1%	297.1%	782.7%
Jacobs Engineering Group Inc.	(0.1%)	59.4%	150.7%	98.4%
KBR, Inc.	(11.5%)	29.7%	49.3%	(29.8%)
MasTec, Inc.	(35.3%)	(8.0%)	144.5%	100.3%
Mistras Group, Inc.	(75.7%)	(81.0%)	(70.3%)	(75.6%)
MYR Group Inc.	11.4%	30.4%	39.4%	51.2%
Orion Group Holdings, Inc.	(35.6%)	(54.1%)	(51.1%)	(73.4%)
Primoris Services Corporation	(6.8%)	(35.1%)	10.2%	76.8%
Quanta Services, Inc.	37.7%	39.8%	113.9%	172.8%
Sterling Construction Company, Inc.	4.7%	(7.9%)	222.7%	(4.6%)
Team, Inc.	(72.1%)	(61.0%)	(87.3%)	(76.2%)
Median	(9.2%)	(18.2%)	37.5%	46.6%
Average	(15.4%)	(9.1%)	44.7%	106.2%
Matrix Service Company	(55.5%)	(48.4%)	(66.2%)	(39.6%)

MTRX is Trading at a Significant Discount to Peers

MTRX is now trading at a discount to tangible book value and at a very low forward multiple of EBITDA

Company Name	EV / LTM EBITDA	EV / 2021E EBITDA	EV / 2022E EBITDA	P/TBV
Aegion Corporation	6.4x	6.1x	5.6x	6.1x
Argan, Inc.	NM	9.7x	2.6x	2.3x
Babcock & Wilcox Enterprises, Inc.	10.6x	7.2x	6.1x	NM
Dycom Industries, Inc.	7.8x	7.2x	6.7x	3.7x
EMCOR Group, Inc.	6.2x	6.5x	6.6x	6.9x
Granite Construction Incorporated	NM	2.8x	NA	0.9x
Great Lakes Dredge & Dock Corp.	4.8x	5.0x	NA	2.5x
IES Holdings, Inc.	9.7x	NA	NA	3.7x
Jacobs Engineering Group Inc.	11.3x	11.2x	10.2x	NM
KBR, Inc.	9.5x	7.8x	7.5x	NM
MasTec, Inc.	5.9x	5.2x	5.3x	14.9x
Mistras Group, Inc.	8.8x	5.3x	NA	NM
MYR Group Inc.	5.7x	5.3x	5.3x	2.2x
Orion Group Holdings, Inc.	3.2x	3.1x	2.1x	0.6x
Primoris Services Corporation	4.6x	4.7x	NA	2.4x
Quanta Services, Inc.	9.3x	7.5x	7.0x	4.7x
Sterling Construction Company, Inc.	7.3x	5.6x	NA	NM
Team, Inc.	16.8x	6.4x	NA	8.0x
Median	7.6x	6.1x	6.1x	3.7x
Avg.	8.0x	6.3x	5.9x	4.5x
Matrix Service Company	3.2x	3.3x	2.6x	0.9x

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- Subpar Historical Returns and Valuation

- Growth Strategy Failure Due to

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 - Corporate EBITDA Margin
 - Electrical Infrastructure Division
 - SG&A Level

- 2 Capital Allocation Performance
 - Free Cash Flows
 - M&A
 - Share Buybacks

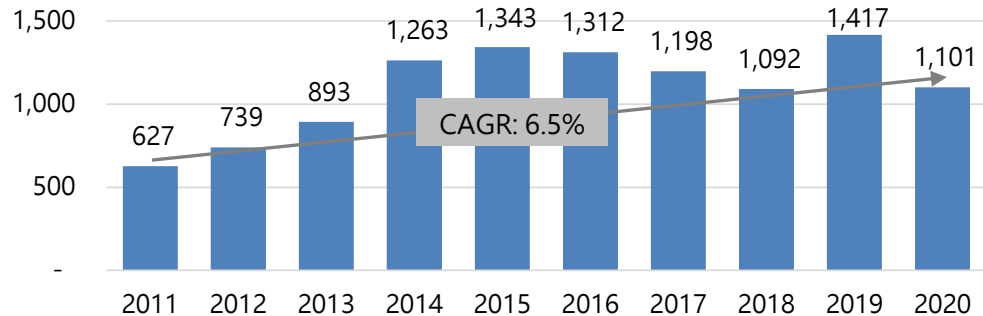
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Growth Strategy Has Failed to Create Shareholder Value

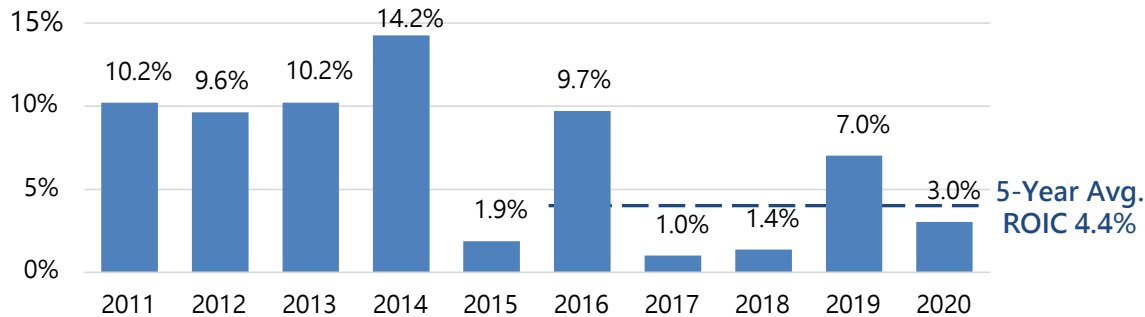
In 2012, Mr. Hewitt outlined his growth strategy based upon organic and M&A growth across four end markets (Electrical Infrastructure; Oil, Gas & Chemical; Storage; and Industrial) which over time would continue to diversify the business

"There are 4 main market sectors where we will focus our growth, and we are anticipating growing our consolidated revenues 12% to 15% annually while incrementally improving our earnings over the next 5 years"¹

While MTRX has historically grown revenue...



Inadequate returns have failed to create shareholder value



Inadequate returns due to:

- 1 Operational performance
- 2 Poor track record of capital allocation including M&A and share buyback

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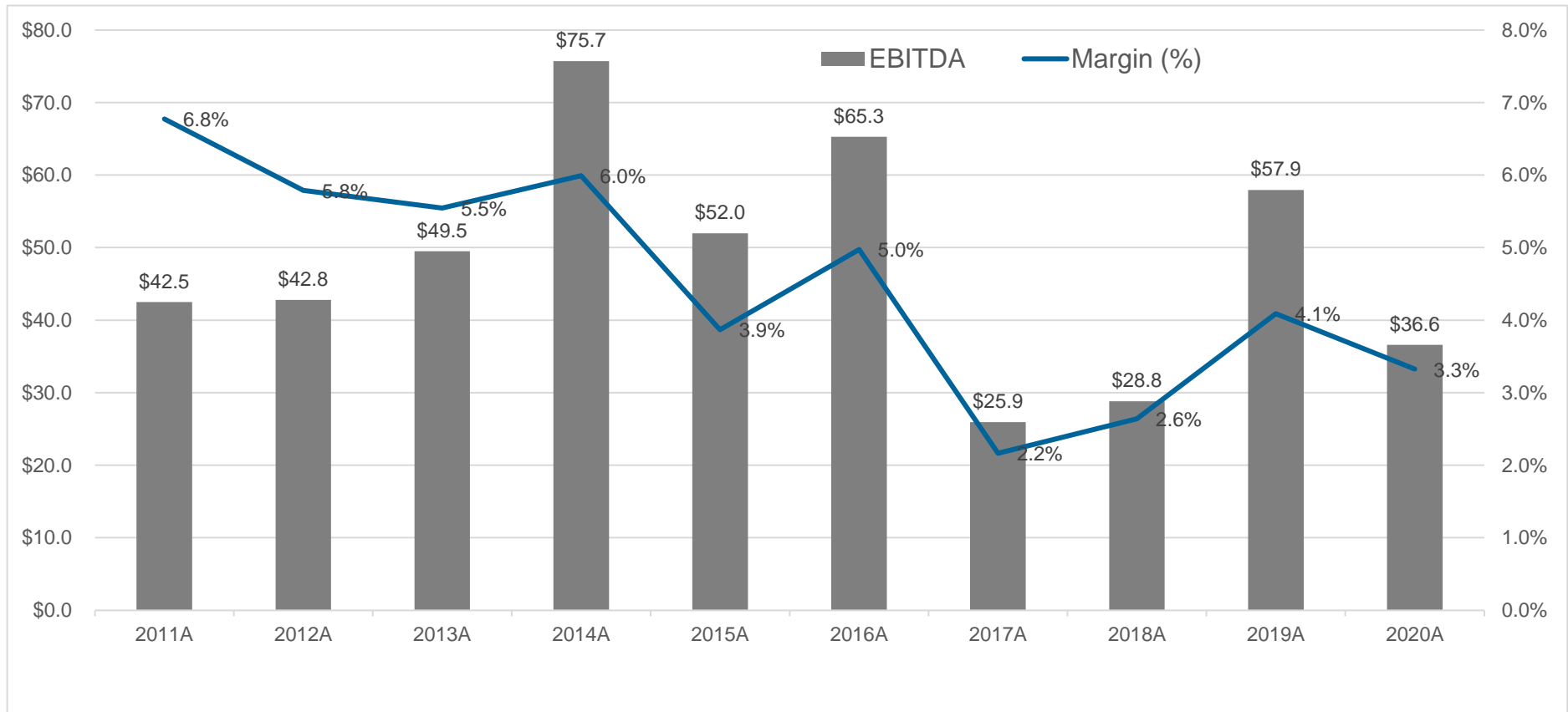
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1 Operational performance

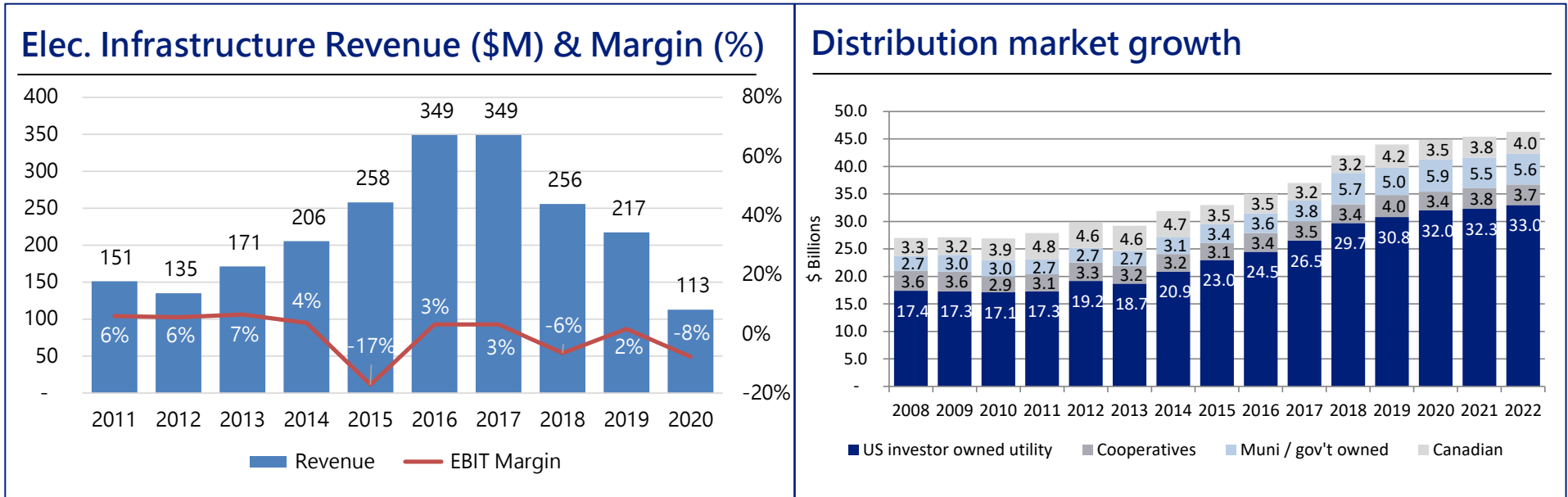
Despite revenue growth, profitability has steadily declined. EBITDA margin was 6.8% in 2011 when Mr. Hewitt was hired. Under his leadership and growth strategy, margin has declined significantly

Historical EBITDA and Margins



1 Operational performance (Cont.)

The operational underperformance extends beyond some of the challenged end markets. For example, the Electrical Infrastructure division has seen significant revenue decline and low margin despite being in an end market that has performed well



Source: Company filings

Source: The C Three Group, 2018 North American Electric Distribution Market Forecast

“...when we see our growth patterns, we see mid-to-upper single digits.” [referring to organic growth for electrical segment over a 3-5 year horizon]

- Duke Austin, CEO & COO of Quanta Services (Q4 2018)

1 Operational performance (Cont.)

Management has reduced SG&A to \$80 million, 10% of MTRX run rate revenue of \$800 million. This is still 340 bp above the historical SG&A level. SG&A is simply too high for a business of MTRX size. Using SG&A level at 7% in line with its historic level, SG&A would be \$56 million, not \$80 million per year. Note that in 2013, SG&A was \$58 million for a business with \$892 million of revenue and 4 divisions (versus 3 going forward)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
Revenue	627.1	739.0	892.6	1,263.1	1,343.1	1,311.9	1,197.5	1,091.6	1,416.7	1,100.9	
Gross Profit	74.9	79.6	94.7	136.5	87.4	126.0	81.0	91.9	132.0	102.2	
Gross Margin	11.9%	10.8%	10.6%	10.8%	6.5%	9.6%	6.8%	8.4%	9.3%	9.3%	9.4%
SG&A	44.0	48.0	58.0	75.9	78.6	78.7	75.5	84.4	94.0	84.4	
% of Sales	7.0%	6.5%	6.5%	6.0%	5.8%	6.0%	6.3%	7.7%	6.6%	7.7%	6.6%

- We understand that each division has its own management team including a president and a finance executive. Each division has its own SG&A. More consolidation may need to happen.
- Looking at the Matrix website, we note a leadership team of 9 people. We question why Matrix needs a Chief Operating Officer, a Chief Administrative Officer, and a Chief Business Development and Strategy Officer given its size. We would suggest these positions be eliminated. In our experience, at companies of MTRX size, the Chief Executive Officer will effectively fulfill these positions.

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2 Capital Allocation Track Record Has Been Poor

Despite its poor operating performance, MTRX has generated a significant amount of free cash flows which were unfortunately poorly allocated. These poor capital decisions combined with declining EBITDA have reduced MTRX enterprise value from \$295 million on June 30, 2011 to \$166 million on June 30, 2020 and \$115 million on Sept 25, 2020

June 30, 2011		2012 to 2020		June 30, 2020		Sept 25, 2020	
Stock price	13.38	Cash from operations	338.3	Stock price	9.72	Stock price	7.79
Market Cap	354.6	Capex	-141	Market Cap	256.6	Market Cap	206.1
Net Cash	59.4	Acquisitions	-122	Net Cash	90.8	Net Cash	90.8
Enterprise value	295.2	Share repurchase	-65	Enterprise value	165.8	Enterprise value	115.3



Despite reinvesting \$141 million in the business through capex, investing \$122 million in M&A and repurchasing \$65 million of its own shares, MTRX stock price is significantly lower than when Mr. Hewitt was appointed CEO in May 2011

2 Capital Allocation - M&A

Over the last eight years, since Mr. Hewitt became CEO, the Board has allocated \$122 million (\$164 million minus cash belonging to the target companies) to M&A and has very little to show for it – EBITDA is down during the period

M&A Since 2011

Date	Target	Purchase Price (\$M)
12/12/16	Houston Interests, LLC	46.0
02/01/16	Baillie Tank Equipment ("BTE") / Matrix Applied Technologies	15.4
08/22/14	HDB Ltd. Limited Partnership ("HDB")	5.6
12/09/13	Kvaerner North American Construction	88.3
01/02/13	Pelichem Industrial Cleaning Services, LLC ("Pelichem")	8.3
Total Capital Deployed on M&A Since 2011		163.6

Despite all the acquisitions in Industrial, Electrical Infrastructure, and in Oil, Gas and Chemicals, Matrix has been unable to grow these divisions profitably. Industrial is now being shut down and the Electrical Infrastructure division is significantly restructured

MTRX has had to take more than **\$56 million** in goodwill impairment over the last few years. In particular, Kvaerner has been a disaster, which is particularly troublesome since Mr. Hewitt used to work there and therefore was supposed to know the company

2 Capital Allocation – Share Repurchase

MTRX has consistently repurchased shares at high prices and has been inactive when the share price was low

Historical Share Price and Repurchase History



2 Capital Allocation – Share Repurchase

Instead of repurchasing shares at low price to tangible book value multiples, MTRX has consistently repurchased shares above 2x tangible book value

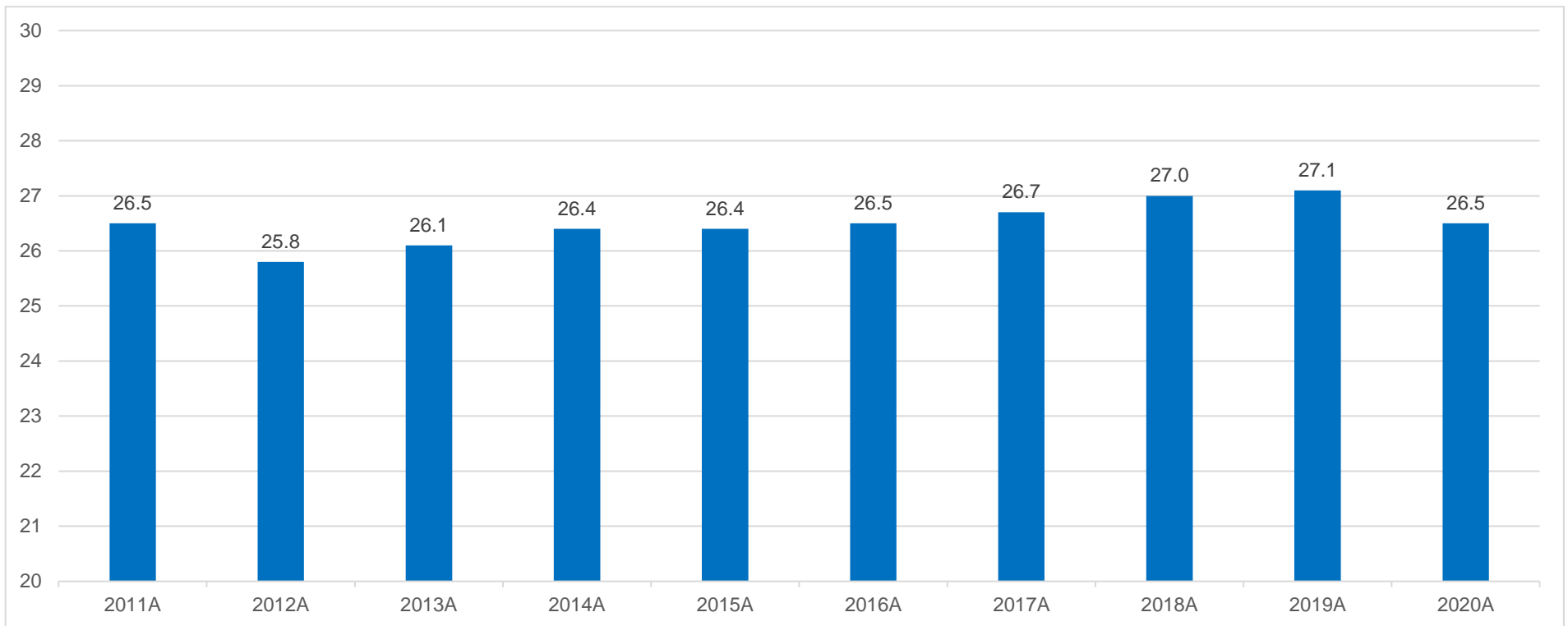
Historical price-to-tangible book value multiple and repurchase history



2 Capital Allocation – Share Repurchase

Despite spending \$65 million on share repurchases, MTRX number of shares outstanding has not moved over the last 9 years

Number of Shares Outstanding



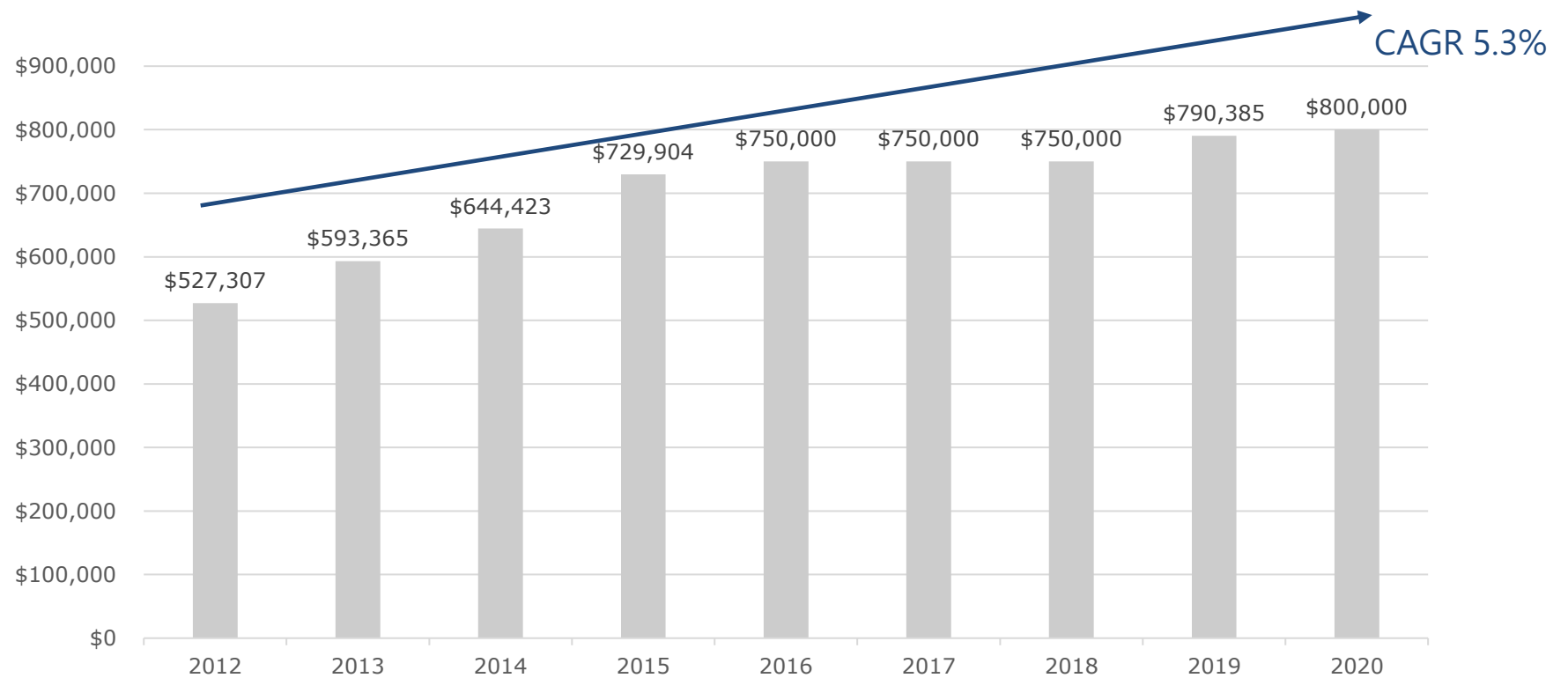
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CEO Compensation

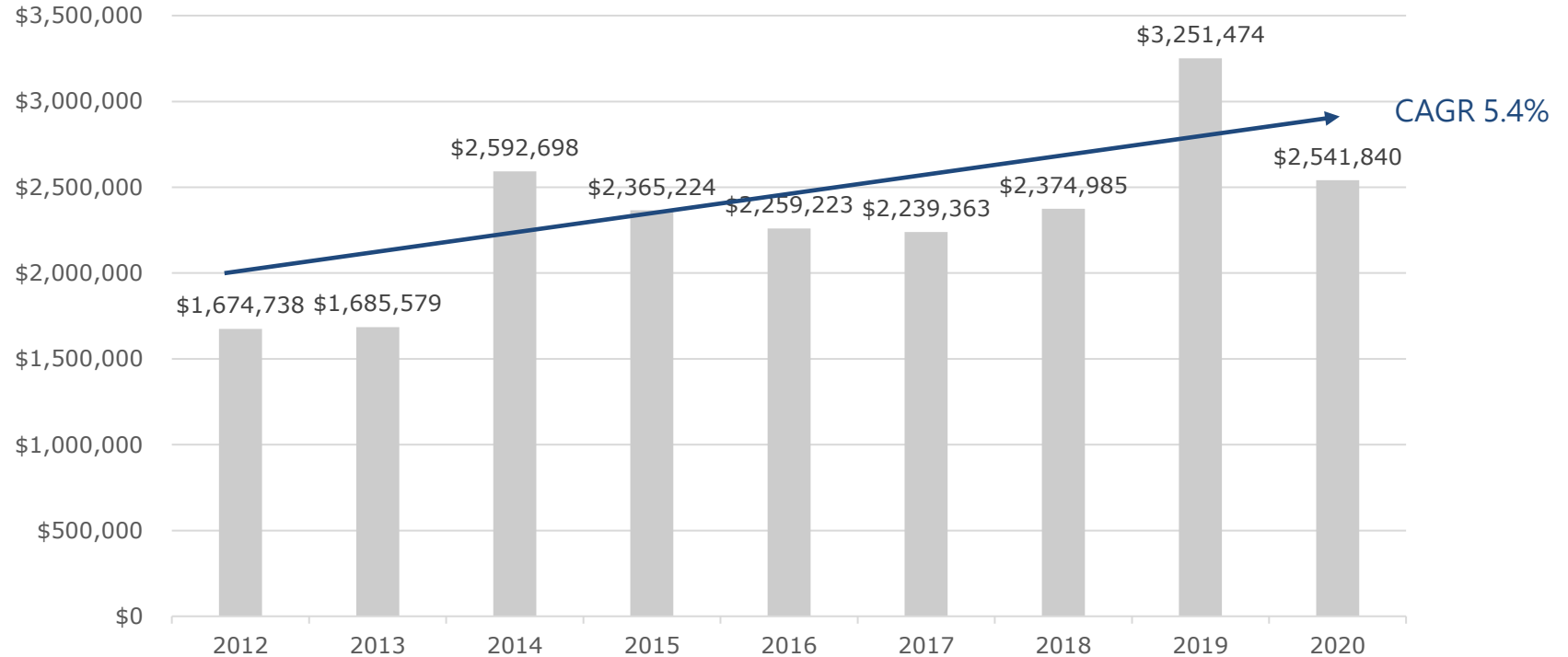
Despite the significant value destruction, the CEO's base salary has grown consistently

CEO's Base Salary



CEO Compensation (Cont.)

CEO's Total Compensation



Since 2012, the CEO has earned \$21 million (per the proxy statements) while the stock is down 40%

Peer Group

Engine has significant concerns with the peer group used by the compensation committee of MTRX

Company Name	Market Cap	Enterprise Value	LTM Revenue
Aegion Corporation	\$428.6	\$611.5	\$1,150.7
Argan, Inc.	\$652.5	\$246.6	\$274.0
Babcock & Wilcox Enterprises, Inc.	\$116.4	\$448.8	\$663.0
Dycom Industries, Inc.	\$1,759.0	\$2,401.4	\$3,260.0
EMCOR Group, Inc.	\$3,649.3	\$3,468.8	\$9,005.5
Granite Construction Incorporated	\$801.8	\$810.7	\$3,389.8
Great Lakes Dredge & Dock Corporation	\$615.7	\$705.5	\$719.7
IES Holdings, Inc.	\$619.9	\$587.9	\$1,154.1
KBR, Inc.	\$3,164.6	\$3,688.6	\$5,799.0
MasTec, Inc.	\$3,031.1	\$4,110.0	\$6,711.7
Mistras Group, Inc.	\$115.9	\$344.8	\$655.1
MYR Group Inc.	\$601.0	\$673.0	\$2,185.8
Orion Group Holdings, Inc.	\$84.1	\$153.2	\$749.6
Primoris Services Corporation	\$877.4	\$1,085.9	\$3,306.3
Sterling Construction Company, Inc.	\$386.8	\$749.1	\$1,335.0
Team, Inc.	\$160.2	\$470.7	\$1,004.0
Median	\$617.8	\$689.2	\$1,244.5
Avg.	\$1,066.5	\$1,284.8	\$2,585.2
Matrix Service Company	\$206.1	\$115.3	\$1,100.9

Engine's concerns about MTRX chosen peer group

- The compensation committee and the board are using a peer group that is not appropriate and effectively skewing management's compensation higher than it should be
 - MTRX revenue is below the median revenue of the peer group and well below the average revenue of the peer group. The peer group has an average revenue close to 2.5x the revenue of MTRX
 - Engine believes it is also appropriate to look at the market cap and the enterprise value of the Company compared to the peer group. On that front, MTRX is well below the peer group used by the board. The average enterprise value of the peer group is more than 10x the enterprise value of MTRX

Compensation Incentives – STI & LTI

Engine has significant concerns with the compensation structure at MTRX

Short-term incentive compensation

- Threshold level for STI - 50% of budgeted post-incentive operating income.
- This is too low. As an example, if the target operating income is \$50 million, management shouldn't be compensated if it can only achieve \$25 million of operating income. The threshold needs to be higher.
- Engine suggests a much tighter band around the Company's targets with threshold at 80% of targets

Long-term incentive compensation

- 33% of the LTI are time-vested so executives get this component of LTI independently of performance
- Engine believes all LTI should be performance based
- 33% of LTI are cash-based long-term incentive awards, instead of being equity-based
- Engine believes that no LTI should be cash-based. All LTI should be equity-based

Insider Buying - Management

Since Mr. Hewitt became CEO, not a single member of management has purchased a single share of MTRX which gives us concerns regarding the culture of stock ownership at the Company. Instead management has sold close to \$15 million cumulatively. The CEO and CFO alone have sold more than \$3.5 million of stock. Mr. Hewitt has never bought a share of MTRX in the public market.

<u>Name</u>	<u>Position</u>	<u>Date</u>	<u>B or S</u>	<u># shares</u>	<u>Price</u>	<u>Amount</u>
Hewitt John R	President & CEO	6/15/2018	S	-10,000	\$19.26	(\$192,600)
Hewitt John R	President & CEO	6/14/2018	S	-34,684	\$19.30	(\$669,401)
Hewitt John R	President & CEO	6/13/2018	S	-17,816	\$19.25	(\$342,958)
Hewitt John R	President & CEO	12/15/2017	S	-5,000	\$17.65	(\$88,250)
Hewitt John R	President & CEO	9/30/2016	S	-14,043	\$18.75	(\$263,306)
Hewitt John R	President & CEO	9/12/2016	S	-15,957	\$19.02	(\$303,502)
Hewitt John R	President & CEO	3/26/2014	S	-6,000	\$34.06	(\$204,360)
Total						(\$2,064,378)

<u>Name</u>	<u>Position</u>	<u>Date</u>	<u>B or S</u>	<u># shares</u>	<u>Price</u>	<u>Amount</u>
Cavanah Kevin S	VP Finance & CFO	5/14/2019	S	-14,505	\$21.15	(\$306,781)
Cavanah Kevin S	VP Finance & CFO	9/14/2018	S	-21,450	\$25.40	(\$544,830)
Cavanah Kevin S	VP Finance & CFO	12/19/2016	S	-8,164	\$22.46	(\$183,363)
Cavanah Kevin S	VP Finance & CFO	9/12/2016	S	-2,600	\$18.97	(\$49,322)
Cavanah Kevin S	VP Finance & CFO	9/18/2015	S	-4,000	\$22.59	(\$90,360)
Cavanah Kevin S	VP Finance & CFO	2/10/2014	S	-5,291	\$30.35	(\$160,582)
Cavanah Kevin S	VP Finance & CFO	2/20/2013	S	-13,000	\$16.51	(\$214,630)
Total						(\$1,549,868)

Insider Buying - Board

During this timeframe, the Board has been a net seller with only a limited amount of buying raising questions as to the Board's confidence in the strategy and management team

Name	Position	Date	B or S	# shares	Price	Amount
Miller James Harry	Director	5/10/2019	S	-1,825	\$22.25	(\$40,606)
Maxwell Tom E	Director	9/18/2018	S	-7,763	\$24.71	(\$191,824)
Maxwell Tom E	Director	9/17/2018	S	-9,637	\$25.34	(\$244,202)
Miller James Harry	Director	5/12/2016	B	325	\$15.10	\$4,908
Mogg Jim W	Director	5/12/2016	B	10,000	\$15.15	\$151,500
Hendrix J Edgar	Director	9/2/2015	S	-5,000	\$22.54	(\$112,700)
Miller James Harry	Director	6/4/2015	B	1,500	\$17.70	\$26,550
Maxwell Tom E	Director	3/19/2014	S	-5,000	\$34.15	(\$170,750)
Hendrix J Edgar	Director	2/13/2014	S	-3,400	\$30.00	(\$102,000)
Maxwell Tom E	Director	9/19/2013	S	-6,871	\$17.90	(\$122,991)
Lackey Paul K	Director	5/14/2013	S	-5,000	\$16.85	(\$84,250)
Total						(\$414,641)

Agenda

- Subpar Historical Returns and Valuation
 - Growth Strategy Failure Due to
 - 1 Operational Performance
 - Corporate EBITDA Margin
 - Electrical Infrastructure Division
 - SG&A Level
 - 2 Capital Allocation Performance
 - Free Cash Flows
 - M&A
 - Share Buybacks
 - Misalignment of Incentives
 - Executive Compensation
 - Insider Buying
- Conclusions and Recommendations

Conclusions and Recommendations

- Engine believes MTRX is too small to remain a public company. More M&A to create scale is obviously not the answer in light of the terrible track record of value creation under the current leadership team
- SG&A of \$80 million overwhelms the Company's gross profit and is too high. A buyer could eliminate a large portion of these costs including significant costs associated with running a public company
- Over the next 6 months, the Company should focus on further lowering its cost structure and repurchasing shares at a discount to book value
- The Board should immediately hire a nationally recognized investment bank to assess its strategic options including the right time to engage in a sale process to maximize value. We understand the Board has rebuffed offers in the past
- If no buyer can be found at an appropriate price, the board needs to replace the CEO and hire an executive with a track record of value creation through M&A. MTRX cash balance is one of its most precious assets and Mr. Hewitt has lost the right to allocate this capital on behalf of shareholders
- Board should include shareholder representatives with relevant experience and skillsets

Conclusions and Recommendations

- The Board may argue that now is not the right time to sell MTRX because it undervalues the business
- To be clear, we are not saying that now is necessarily the right time to sell the Company. We are saying the following:
 - No M&A until the Board has done a market check so that it can assess its alternatives **and** MTRX has a new leadership team with a track record of value creation through M&A (deal making, execution and integration skill sets)
 - Hire an investment bank to assess **the right time** to execute this market check
 - Reduce cost structure further and repurchase shares below book value
- **That said, if management and the board argue that now is not the right time to sell MTRX because it would undervalue the Company, why haven't we seen a single insider (including board members) step up and buy shares of MTRX over the last few months as the stock has traded below book value?**