

Boom Logistics Limited Announcement

11 August 2010
ASX code BOL

Boom Logistics Limited – Recovery Underway

Full Year Result

Boom Logistics Limited (“Boom”), Australia’s leading provider of crane logistics, today announces a net profit after tax (NPAT) of \$6.5 million for the year ended 30 June 2010 (FY09: \$27.5 million net loss after tax) exceeding the most recent NPAT guidance to the market.

This result was impacted by several one-off items including tax benefits from restatements of prior year assessments, restructuring costs and a minor asset impairment charge. Excluding one-off items, underlying trading NPAT for FY10 was \$4.1 million. A reconciliation of the statutory NPAT to the trading NPAT is set out in Appendix 1.

Whilst the first three quarters of FY10 were impacted by the continuing effects of the Global Financial Crisis (“GFC”) and associated downturn, Boom saw strong signs of recovery in 4Q10 which resulted in increased utilisation, revenue per day and margins. Boom is seeing a continuation of these improvements into FY11.

Operational Overview

In summary, Boom:

- has been through a severe market and industry downturn;
- is seeing strong signs of recovery;
- has strengthened the business during the downturn; and
- has substantial growth prospects.

Boom’s commitment to implementing its strategic turnaround throughout the downturn is now delivering results. This is evidenced by recent contract wins with major blue chip customers in both the project development and industrial services maintenance segments of the resources, energy and utilities industries. These industries are Boom’s core markets where Boom’s value proposition is strongest. Approximately \$50 billion worth of construction work in these industries is under way with significant further growth anticipated over the next five years.

FY10 Results Highlights

The operating result in the first three quarters of FY10 was materially lower than the previous period in FY09, with the continuing effects of the GFC impacting all divisions of Boom’s business.

Encouragingly, in 4Q10 there was a material improvement in the Crane Logistics and Boom Sherrin divisions, with volumes, utilisation, revenue and margins all increasing relative to the previous three quarters. Improving business conditions in 4Q10 contributed to a more profitable operating environment for Boom’s existing business. In addition, the result was enhanced by operational improvement and cost reduction initiatives, several new contracts and the commissioning of a number of high capacity cranes.

Achievements

During FY10, and despite challenging economic conditions, Boom continued to reshape the business.

Boom has:

- raised \$87 million of equity to strengthen its balance sheet;
- reduced its borrowings by \$111 million during the year with an associated reduction net debt to equity from 96% to 38%;
- focused capital investment towards a fleet mix that supports Boom's growth markets and contracted customers. This has seen:
 - an investment of \$43 million of capital in higher margin, higher capacity fleet for specific projects, with \$17 million of this capital expenditure on deferred payment terms; and
 - a continued upgrading of the fleet mix by divestment of aged and low capacity cranes;
- continued to restructure the business and redeploy assets into areas of higher return;
- improved its business development capabilities as evidenced through significant contract wins noted below;
 - major project development wins include contracts with TDKJV Gorgon and Sandvik Mining & Construction; and
 - industrial services maintenance wins include contracts with Newmont Boddington Gold, Rio Tinto Iron Ore, Anglo American Metallurgical Coal Operations, BP Kwinana Refinery and BHP Billiton Iron Ore.
- achieved a continuing improvement in the Boom Sherrin Travel Tower business during 2H10;
- demonstrated safety leadership in the industry – a major point of market difference; and
- achieved better customer interface through improved maintenance, customer booking, scheduling and invoicing systems.

Divisional results

Crane Logistics

Boom's core business is Crane Logistics.

This division has been strengthened by repositioning the business to the project development and industrial services maintenance segments of the resources, energy and utilities industries. This has included an active reshaping to limit exposure to the spot hire markets in Perth, Brisbane and Melbourne and redeployment of assets to high growth areas, taking advantage of Boom's National footprint.

As advised at the half year, Port Kembla's performance was particularly hard hit by a reduction in customer maintenance activities. Boom restructured Port Kembla in June and assets were redeployed to the Hunter Valley and the Pilbara. Further restructuring has been undertaken in Brisbane in July and selected assets were redeployed to the Bowen Basin and the Pilbara.

Key highlights for the Crane Logistics division include:

- the continuation of Boom's strategic move to focus on both major project development support and industrial services maintenance;

- strong recovery in wet hire utilisation: 64% in 1Q10, 67% in 2Q10, 70% in 3Q10 and 81% in 4Q10;
- high growth anticipated across key markets, especially in North West WA, the Bowen Basin and the Hunter Valley; and
- positive financial impacts of the major contract wins in project development support and industrial services maintenance and higher margin fleet investment evidenced in 4Q10 with further benefits expected.

Boom Sherrin

Key highlights for Boom Sherrin include:

- steady increase in Travel Tower revenue, driven by significant contract wins in power distribution, utilities, telecommunications and broadband;
- margins returning to pre-GFC levels due to increased utilisation and fixed cost leverage; and
- focus on cost control.

James Business

Boom will focus its future efforts and resources in its core business areas with high growth potential. Inventory levels have been reduced from \$25 million to \$9 million during the year. Headcount has been reduced in this division and fixed costs are being minimised as a precursor to considering restructuring options.

Outlook

Boom is seeing a continuation of the recovery experienced in 4Q10 going into FY11. Improved utilisation of the existing asset base is expected to deliver margin improvement given the fixed cost leverage in the business. In addition, Boom's recent contracts wins will drive further growth in the business. Boom's pipeline is currently strong and Boom continues to achieve a win rate of over 50%. Boom is in the final stages of negotiations with a number of existing and new customers regarding further significant contracts and will update the market as these opportunities crystallise.

CEO and Managing Director, Mr Brenden Mitchell, said "While market conditions and the FY10 results have been disappointing, recent trading levels indicate a strong recovery is well underway. Boom has made significant progress in implementing its strategy during the past two years. We have reshaped and strengthened our business through our exposure to both project development support and industrial services maintenance and through investing to maximise our competitive strengths. We now have a fleet mix and the operational capability that position Boom well for the strong growth anticipated in our core markets of resources, utilities, energy and major projects."

Investors:

Brenden Mitchell, Managing Director +61 3 9207 2500
Iona MacPherson, Chief Financial Officer

Media:

Tim Duncan, Angus Urquhart + 61 3 9600 1979
Hintons

Appendix 1

Reconciliation of trading net profit after tax to statutory profit after tax.

Business Unit	(\$m)
Trading Net Profit After Tax	4.1
One-off redundancy and restructure costs	(1.7)
Impairment Charges	(0.4)
Tax Benefit on above noted one-off charges	0.6
Prior Period Tax Refund (2002 – 2004)	3.9
Reported Net Profit After Tax	6.5

One-off redundancy and restructure costs

In response to the subdued demand experienced in certain markets, restructuring of labour and assets has occurred during the financial year at a cost of \$1.0m (\$0.7m after tax impact).

An additional \$0.7m of Borrowing Costs (\$0.5m after tax impact) were incurred during the year, associated with the restructure of the syndicated banking facility at the time of the equity raising.

Impairment Charges

At each reporting date, Management perform a detailed impairment assessment of Boom's assets and stock. The following areas are reviewed in detail:

- asset fair values;
- asset residual values;
- assets held for sale;
- James Equipment crane inventory;
- stock and spare parts; and
- obsolete or damaged assets.

The objective of the review is to identify any material operating assets, assets flagged as held for sale or stock which were being carried at a written down value in excess of their recoverable amount. A total asset impairment of \$0.4m (\$0.3m after tax impact) has been booked in FY10.

Prior Period Tax Refund (2002 – 2004)

This relates to tax adjustments claimed for the financial years ended 30 June 2002 to 30 June 2004. In FY10 Boom Management were successful in a request to the Commissioner asking that he exercise his discretion to allow a claim for this 'closed' period to proceed.