

Boom Logistics Limited Announcement

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Half-Year Result – 31 December 2011

Boom Logistics Limited (“Boom”), Australia’s leading provider of crane logistics and lifting solutions, today announced a profit after tax for the half year ended 31 December 2011 of \$8.0 million (1H11 profit after tax of \$2.8 million).

The trading profit after tax for 1H12 was \$6.9 million (1H11 trading profit after tax of \$5.1 million).

This trading result excludes the \$3.0 million profit on sale of the Melbourne Tower Crane assets and \$1.5 million of restructuring costs associated with the Boom Sherrin restructure.

Half-year results highlights

- 17% Crane Logistics revenue growth in NSW, QLD and North West WA.
- Successful tender for new business with BHPB Olympic Dam (\$100m revenue over 5 years), commencing 1 June 2012.
- Contract renewal and extension of services with Boom’s largest customer, BHPB Mitsubishi Alliance (“BMA”) for 3 years (c. \$35 million revenue p.a.).
- Continued growth in the mining and resources sector, which now contributes 58% of total Crane Logistics revenue.
- Boom Sherrin restructure executed on schedule at a lower than planned cost of \$1.5m with expected annualised savings of c. \$6m commencing early 2012.
- Melbourne Tower crane assets sold in October 2011 for proceeds of \$7.5m and a profit on sale of \$3.0m.
- Successful completion of three year, \$150 million syndicated debt facility at lower cost of debt (1H12 cost of 9%, compared with 12% in 1H11 reflected a \$1.9m cost reduction).

Crane Logistics

In 1H12, the Crane Logistics business disposed of its Melbourne Tower Crane assets. The continuing crane logistics business delivered an EBIT of \$18.9 million, against a prior year comparative of \$19.4 million. Growth in Wet Hire and Specialised Transport operations was offset by a reduction in Dry Hire activity and an increase in depreciation charges from recent investments.

Continuing operations generated an average national 12% revenue growth over the prior corresponding period driven by QLD, NSW and North West WA, all with 17% growth.

There has been continued strong demand in the core market segments of resources, energy and utilities, with mining and resources customers contributing 58% of Crane Logistics revenue in 1H12, up from 53% in FY11 (47% in FY10).

There were a number of contract wins and contract renewals during the period, including:

BHP Billiton Olympic Dam contract

- In February 2012 following a competitive tender process, Boom secured a five year contract to supply crane services to the BHP Billiton Olympic Dam maintenance operation. Boom's revenue from this new business opportunity is expected to be approximately \$100 million over the next five years, with initial capital investment of \$20 million.
- The Mobile Cranes Services contract involves Boom setting up a purpose built maintenance facility in Roxby Downs, establishing a contract management team and providing dedicated cranes and labour to deliver all crane related maintenance works at Olympic Dam's current operations.
- Revenue associated with Boom's Olympic Dam maintenance contract does not include any future activity from potential involvement with Olympic Dam expansion plans.
- The contract is scheduled to commence on 1 June 2012.

BMA contract

- In July 2011 following a competitive tender process, Boom secured a new 3 year contract to supply crane services to BHP Billiton Mitsubishi Alliance ("BMA") with two 1 year options to extend. The contract renewal also included an extension of services to include BMA's Permit Freight requirements. These services commenced in October 2011.
- The BMA contract is currently Boom's largest and with the extension of services is expected to generate approximately \$35 million p.a.

Boom Sherrin

The 1H12 trading result for Boom Sherrin was consistent with the prior year and was delivered from a lower asset base.

In line with plans previously announced to the market, the Company has continued to restructure the Boom Sherrin business as follows:

- Closure of six branches.
- Redeployment of over 400 assets.
- Reduction of 54 permanent roles.
- Ongoing annualised benefit expected to be c. \$6 million per annum.

The restructure has been executed on schedule at a lower than planned cost of \$1.5m. The benefit from annualised savings is expected to commence from early 2012.

Sale of Melbourne Tower Crane assets

In October 2011, Boom announced the sale of its non-core Melbourne based Tower Crane assets. The asset sale comprised 34 tower cranes, a small number of supporting mobile cranes, stock and ancillary equipment. Gross proceeds from the sale were \$7.5 million and once all adjustments are finalised, the net profit on sale is expected to be c. \$3 million.

The sale of these non-core assets is in line with Boom's strategic focus on its core crane business which supports the high growth resources, energy, utilities and infrastructure sectors. The capital released will contribute to Boom's ongoing investment in the Crane Logistics and Boom Sherrin Travel Tower businesses.

Debt refinancing

During the period, Boom's new \$150 million, 3 year revolving debt facility was finalised. Under the new arrangements, Boom's cost of debt is forecast to reduce to 9% (down from 12%). The remaining finance leases of \$25m at 31 December 2011 continue to amortise, with final expiry in March 2013.

Outlook

The execution of the Boom strategy is on track:

- Continued market focus on the resources, energy, utilities and infrastructure sectors.
- Significant market entry into South Australia with the BHPB Olympic Dam contract win providing ongoing maintenance revenues and a springboard to substantial project activity.
- Successful restructure of Boom Sherrin and sale of non-core Tower Crane assets.

There are several factors which will influence 2H12 performance:

- In 1H12, \$29 million of capital expenditure has been invested, with a further \$24 million planned for the second half. This is lower than original expectations as some capital expenditure has been delayed due to the specific equipment requirements of the planned BHPB Olympic Dam investment and this will impact operating efficiencies in the second half.
- Depot and accommodation infrastructure is being established in Newman, WA with costs being incurred ahead of revenue generation.
- Fly in/fly out labour expenses and rising accommodation costs continue to impact the North West WA operating margins. Management are working with major customers on joint solutions.
- Continuing softness in metropolitan markets, reflecting the two speed economy and limited infrastructure investment.
- BMA has been at lower than planned production levels, impacting the volume of work in 1H12. Potential industrial action at BMA in 2H12 may also impact Boom's activity with this customer.

Earnings Guidance

Boom Group

- EBIT of c. \$35 million for FY12.
- ROCE to increase to c. 10% at 30 June 2012, up from 6% as at 30 June 2011.

Crane Logistics

- EBIT of c. \$42 million (including \$3.0m profit on sale of Tower Crane assets) with deferment of some capital expenditure to match Olympic Dam contract timing. Planned capital expenditure for the year of \$45 million.
- ROCE to be c. 15% at 30 June 2012.

Boom Sherrin

- EBIT of \$7 million, with capital expenditure of \$5 million.
- ROCE to be c. 8% on a sharply improving trend

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