

Boom Logistics Limited Announcement

5 May 2009
ASX code BOL

Boom Logistics – Profit Guidance and Market Update

The March quarter saw a severe contraction of the industrial services, non-residential construction and capital equipment markets within Australia. Based on Boom's results for this quarter and following consideration of the provisional April operating results, it has become evident that Boom will not achieve a result for the 2009 financial year (FY09) within the current expectations of the market.

There are obvious difficulties with reliable forecasting in the current economic climate, but based on Boom's current visibility over its customer activity and project pipeline, management advise that an operating net profit after tax (excluding restructuring costs, stock and asset impairment write downs and other one off items) of between \$10m and \$14m is now expected.

The operating NPAT for the third quarter of FY09 was a loss of \$0.5 million, which excludes the following one off items:

- \$0.9 million of restructuring costs relating to the Victorian Melbourne Mobile business;
- a net \$1.3 million of stock write downs and losses on the sale of second hand crane assets; and
- \$0.6 million of unrealised foreign exchange gains.

Including these one off items, the reported NPAT result for the quarter was a loss of \$2.1 million.

Whilst the third quarter is traditionally Boom's slowest, a significant upturn in the fourth quarter is not supported by the provisional April result.

Impacts of Economic Slowdown

Key macro negatives within the third quarter of FY09 included:

- a downturn in the resources, non-residential construction and industrial services markets;
- a slowdown in production levels and projects of major customers;
- some mining and industrial sites going into care and maintenance; and
- a depressed capital equipment market.

Business Units

Crane Hire

Overall, the crane hire sector delivered a better result in the third quarter of FY09 than in the corresponding quarter in FY08. However, overall activity is decreasing with specific industrial services work in Western Australia and NSW expected to reduce in the coming months.

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Specifically, the Western Australia crane business has been impacted by:

- a reduction in activity and project delays that have also increased the competitive environment; and
- continuing accommodation cost issues in the North West.

James Equipment

James Equipment, Boom's new and used crane sales business, has been impacted by:

- market uncertainty making crane sales difficult;
- the changes in the Yen and the Euro which have resulted in the cost of cranes increasing significantly;
- customers no longer being able to obtain financing to honour their contractual commitments to acquire the cranes they have ordered;
- the implementation of the 30% investment allowance for new cranes which has made the purchase of used cranes less attractive to the James Equipment customer base; and
- a stock build from \$26.5 million at December 2008 to \$37.6 million at 31 March 2009 due to the long lead time from order to delivery.

Consequently James has been a negative contributor for the third quarter and inventory has increased by \$11.1 million during the quarter. Measures are being taken to limit any further stock build and to reduce existing stock levels.

Boom Sherrin

The Boom Sherrin business has been significantly impacted by:

- the contraction of non-residential construction and industrial service markets;
- increased competition due to lower overall demand; and
- the severe weather conditions in Queensland and in certain areas of New South Wales in the third quarter.

Debt position

Despite the operating performance in the March quarter, and a \$3m increase in trade finance associated with the crane stock build, Boom's cash flows supported a reduction in the gross debt position by \$2.4m in the quarter.

Restructure activity

Restructuring is continuing across all business units to:

- ensure labour and other costs match a sustainable revenue stream in current & prospective market conditions;
- return cash back to the business from any underutilised assets (recognising prospective revenue levels); and
- switch from fixed to variable cost environments wherever appropriate.

Some restructuring was undertaken between December and February in Kalgoorlie, Boom Sherrin - Victoria Metro and Victoria - Melbourne Mobile. Further restructuring activity in the June quarter will include:

- further employee number reductions of 130 across all business units. The redundancy cost of approximately \$2.6m (predominantly in FY09) will have an ongoing annual benefit of just over \$10m; and
- a fleet reduction of approximately 40 low tonnage cranes. This is likely to yield some asset write downs in the current environment.

In addition, a freeze has been placed on all Executive & Management salaries.

Recognising that the majority of economic commentators are forecasting a prolonged economic downturn there will be a need for Boom to review goodwill for certain businesses and to assess asset carrying values, particularly those identified for sale through the restructure.

CEO, Brenden Mitchell stated: "In what is proving to be a very difficult trading environment, Boom will continue to focus on the delivery of safe, effective and value driven solutions to our customers. The current environment demands that we focus on cost and debt reduction, whilst continuing to improve our fleet profile for long term sustainable growth".