

Boom Logistics Limited Announcement

14 August 2012
ASX code: BOL

Full Year Result – 30 June 2012

Record profit growth underlines Boom's strategy and momentum

Boom Logistics Limited ("Boom"), Australia's leading provider of crane logistics and lifting solutions, today announced a net profit after tax for the year ended 30 June 2012 of \$19.7 million, a turnaround from a net loss after tax of \$37.7 million in FY11. Earnings before interest expense and tax were \$37.2 million in FY12, compared with a loss of \$30.4 million a year earlier.

The increase in statutory NPAT is a record year on year improvement for Boom since its listing on the ASX in 2003.

The trading profit after tax rose significantly to \$18.5 million in FY12 from \$5.4 million in FY11. Trading earnings before interest expense and tax rose to \$35.5 million from \$23.2 million in the previous 12 months.

The trading results in FY12 exclude a \$2.9 million profit from the sale of the Melbourne tower crane assets and \$1.2 million of restructuring costs associated with the Boom Sherrin restructure (pre tax).

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- **Statutory EBIT of \$37.2m**
 - **Statutory NPAT of \$19.7m**
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- **Core business revenue growth of 11%**
 - **Trading EBIT of \$35.5m, up \$12.3m (+53%)**
 - **Trading NPAT of \$18.5m, up \$13.1m (+246%)**
 - **Gearing¹ down from 40% to 36%**
 - **Net Tangible Assets per share increased to \$0.52 (FY11: \$0.48)**
 - **Mining & resources sector accounts for 62% of Crane Logistics revenue (up from 53% in FY11) – predominantly maintenance driven**
 - **FY13 Guidance: expects Trading EBIT of \$47m - \$50m**
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Boom Chief Executive Brenden Mitchell said: "Boom achieved an impressive turnaround in FY12 and the strong improvement in our core operations provides the Company with significant momentum heading into FY13. In particular, the full year benefit of the BHP Billiton Olympic Dam contract, Boom Sherrin's restructured business and our investment in the fleet give us confidence in our outlook for the current financial year.

1. Gearing = Net Debt divided by Equity

ABN 28 095 466 961

BOOM Logistics Limited
Level 6, 55 Southbank Boulevard
Southbank VIC 3006

“Boom’s significant profit improvement reflects the successful and ongoing execution of a three-year strategy that has included selling non-core businesses, restructuring the metropolitan businesses, reshaping the fleet and most importantly renewing contracts and winning new business in core markets, particularly in the mining & resources sector.

“Coupled with a strengthening of the balance sheet, Boom is confident that this strategy places the company in a strong position for the future.”

Boom focuses on customers who are low cost producers and therefore are well positioned through commodity cycles. Boom’s operations are predominantly in support of ongoing maintenance and operational enhancement projects. Our sustainable forward earnings are not reliant on new project development decisions by our customers. Such decisions do however present new tender opportunities and the potential for accelerated earnings growth.

Boom’s 53% trading EBIT growth for FY12 reflects continued penetration of its core markets of mining & resources, energy, utilities and infrastructure, with a particular emphasis on blue chip customers in high growth regions including North West WA, the Bowen Basin and the Hunter Valley.

Boom reduced its Total Recordable Injury Frequency Rate (“TRIFR”) down to 14.4 at 30 June 2012. This reflects a 39% reduction from the previous year as the company continues its safety journey towards “zero harm”.

Crane Logistics

The crane logistics business achieved 8% revenue growth in FY12. Excluding revenue from the discontinued Melbourne tower crane assets, revenue from continuing operations grew by 12%. Earnings before interest expense and tax from continuing operations grew 25%.

This was achieved despite difficult business conditions through the year, including lower activity due to customer industrial action in the Bowen Basin and the residual impact of FY11 weather events. The closure of a significant customer mine site in the Bowen Basin and pressures on operational costs in housing and accommodation in Queensland and North Western Australia were also challenges during the year.

Key events reflecting the improved performance include:

- Continued growth in the mining & resources sector, which now contributes 62% of total crane logistics revenue (up from 53% in FY11). The majority of this business is in regular and critical maintenance activities;
- Revenue from Boom’s wet hire operations (crane and operator) increased by 16% compared with FY11 and rigging labour hire revenue increased by 34%;
- A successful tender and commencement of new business providing maintenance support for BHP Billiton’s Olympic Dam’s existing operations. The contract, which commenced in June 2012, is expected to generate \$100 million of revenue over five years;
- Business expansion on the Gorgon LNG project, adding transport equipment to our current fleet of cranes;
- Completion of the Oaklands Hill Wind Farm construction project three weeks ahead of schedule and OH&S incident free; and

- Sale of the Melbourne tower crane assets in October 2011 for proceeds of \$7.5 million and a profit on the sale of \$2.9 million.

With the BHPB Olympic Dam contract operational, and solid production forecasts from Boom's major customer segments (particularly in mining & resources), the crane logistics business will continue to deliver profitable growth and an improved return on capital in FY13.

Boom Sherrin

The Boom Sherrin business restructured its operations in November 2011 at a cost of \$1.2 million. The restructure resulted in the closure of six Boom Sherrin depots, with assets redeployed to areas of greater demand and higher yield. The benefits of the restructure were evident in 2H FY12 with earnings before interest expense and tax growing 17% compared with the prior corresponding period.

Boom Sherrin's core business is travel towers where it holds the number one market position. Revenue in the travel tower business grew by 3% in FY12 through improved utilisation of the high-end fleet (40 metre-plus). Boom is investing in replacement and growth travel tower assets in FY13 to build on Boom Sherrin's market-leading position.

The Company has previously stated that Boom Sherrin will seek to maximise cash flows from its non-core access and general equipment hire in a zero capital investment environment by:

- Aligning infrastructure with the reduced asset base;
- Redeploying productive assets to higher yield areas; and
- Disposal of unproductive assets to maximise cash flow contribution.

Disciplined investment for growth

Boom invested \$58 million in capital in FY12, while reducing net debt to \$114 million. Balance sheet gearing (Net Debt / Equity) has reduced to 36% at 30 June 2012, down from 40% at 30 June 2011. Investment in growth capital totalled \$42 million in FY12, underlining Boom's alignment with customers in high growth sectors of the economy.

In August 2011, Boom finalised a three year, \$150 million syndicated debt facility at a lower cost of debt (FY12 cost of 9%, compared with 12% in FY11). The new facility provides funding certainty and expires in August 2014.

Net cash flow was positive during the year. This was achieved while investing in growth capital and reducing net debt. Free cash flow prior to funding growth capital was \$33 million in FY12.

Boom's Net Tangible Assets per share increased to \$0.52 at 30 June 2012 from \$0.48 at 30 June 2011.

Business outlook

The strong momentum experienced in core markets was particularly evident in the second half of FY12 and provides a solid foundation for FY13.

Boom's market fundamentals are strong, despite recent falls in commodity prices. Boom's customers in the mining & resources sector are mostly low-cost producers that remain committed to a steady increase in output volumes to meet export market demand.

Boom can be impacted by adverse factors that can affect customers including industrial action, weather events and operational restructuring or site closures.

We will continue to execute our strategy to:

- Focus on customers who are leaders and low cost producers in their respective markets and therefore are well-positioned through commodity cycles;
- Generate strong revenue streams from both on-going maintenance support and project-based activity; and
- Strengthen our customer value proposition to deliver industrial services based on equipment, people, industry knowledge, engineering expertise and best-practice safety and quality systems.

Based on prevailing market conditions, in the coming year the company expects to:

- Undertake a capital investment program of around \$60 million to further strengthen the business;
- Continue restructuring to optimise asset positioning and the return on capital employed; and
- Deliver a trading EBIT result of between \$47 million and \$50 million.

Whilst no dividend has been declared for FY12, on the basis of the company's strong outlook, Boom expects to pay a final dividend for the 2013 financial year.

Further Information:

Brenden Mitchell
Managing Director
+61 3 9207 2500

Iona MacPherson
Chief Financial Officer
+61 3 9207 2500

Media contact:

Ian McDonald
P&L Corporate Communications
+61 2 9231 5411

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