Lifting Solutions for Australia

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Boom Logistics Limited
Half Year Result – 31 December 2014

Boom Logistics Limited ("Boom"), Australia's leading provider of crane logistics and lifting solutions, today announced a net loss after tax for the half year ended 31 December 2014 1HFY15 of $3.4 million (1HFY14: $4.9 million net profit). Earnings before interest expense and tax ("EBIT") in 1HFY15 were a $1.4 million loss compared to an $11.7 million profit in 1HFY14.

At the trading level, net profit after tax was a loss of $1.3 million in 1HFY14 compared to a $5.4 million profit in 1HFY14. Trading EBIT was a $1.4 million profit compared to $12.5 million in 1HFY14 and compared to $1.5 million in 2HFY14.

The 1HFY15 trading EBIT result of $1.4 million excludes:

- a non-cash asset impairment charge of $1.6 million relating to surplus assets classified as Assets Held For Sale;
- $0.9 million of costs associated with redundancies primarily in Queensland, New South Wales, Western Australia and Central Costs;
- $0.1 million in site closure and transportation costs incurred in relocating fleet from Central Queensland;
- $0.1 million in implementation costs relating to the "One Boom" project to integrate the Boom Sherrin and crane logistics businesses nationally; and
- $0.1 million of one-off legal costs associated with Boom's 18m glove and barrier legal claim.

The 1HFY15 trading NPAT result of a $1.3 million loss excludes the after tax impact of the items above ($2.1m).

1HFY15 Highlights

- **Positive free cash flow of $13.8 million**
- **Surplus asset sales of $9.3 million in the 6 months to 31 December 2014, against a full year target of $15 million**
- **Net debt reduced to $76.1 million ($89.5 million at 30 June 2014)**
- **Gearing reduced to 33% (38% at 30 June 2014)**
- **Net Tangible Assets per share of $0.48**

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Half Year to 31 December 2014 Review

Operations

As noted in Boom's market update on 16 December 2014, challenging market conditions in the second half of FY14 continued in the first half of FY15.

With declining commodity prices, customers in the mining and resources sector continue to apply significant price pressures and demand patterns remain volatile.

Revenue reductions in the first half were mainly due to:

- lower contract maintenance volumes in Western Australia, Central Queensland, and New South Wales;
- downward price pressure in highly competitive markets; and
- project delays in the telecommunications and energy sectors, affecting travel tower revenues.

Revenue declines in the first half were mitigated by several revenue generation activities, including:

- In Western Australia, significant shutdown support activity for key customers including Newmont's Boddington Gold Mine, FMG and Alcoa, and continued dry hire revenue for the Gorgon LNG project.
- In South Australia, continued maintenance activity at BHPB Olympic Dam with shutdown work in the early months of 1HFY15.
- In Victoria, successful execution of the Senvion Bald Hills Wind Farm project, with Boom providing an expanded service offering to include mechanical and electrical completion in addition to lifting services and ancillary equipment.
- In New South Wales, on-going activity with key customers in the Hunter Valley, Newcastle and Port Kembla, with the Heavy Lift division supporting the Senvion Bald Hills Wind Farm project. Work has also commenced on the Sydney Entertainment Centre project.
- In Queensland, following the winding up of the BMA maintenance contract, business development resources have been re-focussed and are gaining traction with high-value short term projects supporting coal activity in the Bowen Basin as well as coal seam gas activity in the Surat Basin.
- In Boom Sherrin, base load work in the telecommunications and energy sectors has been steady, notwithstanding the project delays mentioned above, with ongoing high-voltage transmission line work and 4G / LTE upgrades.

Across all businesses, Boom continues to drive profit improvement initiatives, including:

- A heightened sales focus on dry hire opportunities to improve asset utilisation, at improved margins.

- The addition of dedicated business development resources in WA, Queensland and New South Wales to target short-term high value projects across several industry sectors.
- The reduction of 110 Full-Time Equivalent operational positions and the reduction of 10 overhead positions.
- The consolidation of the Mackay Haulage business with assets redeployed to Western Australia.
- A continued focus on constructively improving EBA terms and conditions.
- Rigorous labour planning and management to mitigate the impact of volatile demand.
- In line with the One Boom project to integrate the Boom Sherrin and Crane Logistics businesses, the consolidation of depots (Mackay, Port Kembla).

With prevailing conditions of lower market demand, Boom continues to adjust its crane fleet with on-going reviews to assess unproductive assets against revenue opportunities and consequently to identify surplus assets for sale. In the half year, 43 assets were sold for proceeds of $7 million in the cranes business. In keeping with our strategy to manage Boom Sherrin's access business for cash, more than 500 access equipment units were sold for proceeds of $2 million. In total, Boom generated assets sales of $9.3 million in the first half, against a full year target of $15 million. The value of Boom's asset base has been re-affirmed by surplus asset sales in 1HFY15, with a net Profit On Sale of Assets being realised.

Capital and Cash Management

Boom continues to limit capital expenditure and during the half year $6.9 million was expended, of which $5.6 million related to replacement capital expenditure for travel towers that was committed in FY14. Boom's existing crane fleet is well positioned to address current market demand and no further significant capital expenditure is expected in the remainder of this financial year.

Boom has focused on improving the company's accounts receivable processes and achieved an accounts receivable position of $43.1 million at 31 December 2014, $12.3 million lower than the $55.4 million balance at 30 June 2014.

Boom generated operating cashflows of $11.5 million in 1HFY15 and surplus asset sales contributed additional cashflows of $9.3 million. After capital expenditure amounting to $7.0 million, Boom generated $13.8 million of free cashflow.

This free cashflow enabled a reduction in net debt to $76.1 million, down from $89.5 million at 30 June 2014. Gearing, (Net Debt divided by Equity) reduced from 38% at 30 June 2014 to 33% at 31 December 2014.

Share buy back

Boom has previously stated that the potential for a share buy back will be assessed against a clear priority to deleverage the balance sheet. With on-going market uncertainty and volatile trading conditions, Boom will continue to prioritise balance sheet management to adjust the company's debt levels in the near term, and will consider the potential to support a share buy back once the company has a more stable earnings outlook and currently volatility in pricing pressures and activity levels have settled.

Debt Facility

In December 2013 Boom completed a refinancing of the company's syndicated bank debt facility, with an expiry date of January 2017. This facility continues to be in place with the original A$120 million 3 year revolving debt facility scheduled to amortise down to $90 million over its life.

Outlook

Boom expects prevailing market conditions to continue with no indications that conditions will ease in the near term:

- subdued and volatile demand patterns in operations in the mining and resources sector;
- significantly lower capital project expenditure in mining and resources;
- very low government expenditure on major public infrastructure projects;
- underlying demand in the telecommunications and energy sectors expected to be solid but subject to project delays; and
- activity in the wind farm sector is expected to increase but only in the next financial year.

Boom will continue to improve its revenue base with both existing and new customers, pursue further cost reductions and proactively manage its balance sheet.

Boom's Managing Director, Brenden Mitchell, said:

> "Refocusing and intensifying our revenue generation efforts is an imperative. New business development resources and structures have been put into place in the first half of FY15 and we expect to see benefits in the second half. Re-aligning our labour costs with market conditions is a second imperative that will require structural changes, and we will continue to drive cost reduction initiatives in all areas of the business."
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> "Boom has substantial strengths – our brand and our national operational presence are unmatched in Australia, and we have developed significant internal capabilities in the areas of safety, business development, operations, systems and administration over the past few years. The dedication and commitment of our people is reflected in the business' continued resilience. I am confident that these strengths will stand Boom in good stead during difficult times and, significantly, when market conditions improve."

Further Information:

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