27 October 2015
ASX code: BOL

Boom Logistics Limited
AGM Address

Chairman's AGM Address

As outlined in my Chairman's Report in the 2015 Annual Report, Boom Logistics experienced another challenging year. The Company was impacted by cost cutting by customers, reduced activity, consequential excess service capacity in the industry and competitive pricing pressures. These external pressures have meant that the opportunity to maintain and build revenue is limited. In response to this extremely tough external environment the Company has continued to reduce costs and adjust operating capacity through the sale of surplus assets.

Bearing down on costs has resulted in the reduction of 147 positions, or 19% of total workforce across the Group during the year, including 4 executive positions at the National Office. Management change across the Group has created a flatter more responsive structure, as underperforming business depots have been closed. Further efficiencies have been realised through the full integration of the travel tower business into the Boom crane operations.

Turning to the results that we released to the market in mid-August, the statutory net loss for the year was reported at $36.9 million. This included $5.9 million of restructuring costs primarily related to redundancies and a further $20.8 million of non-cash impairments reflecting adjustments to the carrying value of our operating fleet. At a trading level the net loss was $9.8 million, which was influenced most heavily by the fall in revenue during the year from $273.3 million in FY14 to $206.6 million in FY15. I mentioned earlier this reflects a combination of reduced pricing for our services and reduced customer activity, as the resources sector has adjusted to the sharp fall in commodity prices.

On a pleasing note, despite the continued pressure on revenue and the consequent fall in earnings, free cash flow from operations remained strong at $20.4 million, down from $25.9 million in the prior year. This has been assisted by cost cutting across our operations and the sale of surplus assets as we have responded to the general down turn in business activity. These matters are dealt with more fully in the CEO's report to the meeting.

This strong cash generation allowed the Group to reduce the amount owing on its syndicated debt facility by $21.5 million during the year to $78.4 million at year end.

Importantly this cash generation has continued in the current year with an additional $10.4 million of syndicated debt being paid down in this September quarter. The amount owing on the syndicated

ABN 28 095 466 961

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

T +61 3 9207 2500
F +61 3 9207 2400

debt facility at 30 September 2015 was $68.0 million. This is significantly in advance of our previously disclosed debt amortisation schedule which has a facility limit of $75.0 million at 30 September 2015. Furthermore applying a combination of contracted asset sales and operating income we expect gross debt to be below $60.0 million as at 31 December 2015, compared with the amortisation schedule requirement of $67.5 million.

Asset sales in the September quarter totalled $5.0 million with an associated loss on sale of $0.1 million. The pace of surplus asset sales has increased in the second quarter such that in the first four months of FY16 there are now $9.2 million of assets either sold or contracted, with an associated profit on sale of $0.2 million. A solid pipeline for further asset sales also exists for the rest of the December quarter. Net tangible assets as at 30 September 2015 were at 41 cents per share.

Looking forward, the Company remains focussed on continuing cost containment and to compete for new revenue opportunities, applying our more flexible operating structure and reduced cost base to good effect. The Group will also continue with the disposal of its surplus assets to further pay down debt and strengthen the balance sheet.

At Board level Fiona Bennett resigned as a non-executive director on 30 June 2015 to take up other opportunities. The Board has deferred filling this vacancy to assist in reducing overheads, with fellow Directors sharing the additional work at Committee level.

The Board fully understands the disappointment and frustration felt by shareholders with the performance of the business. We have had to adjust to a sharp and prolonged downturn in our operating environment. It is cold comfort that this experience is being shared with other enterprises similarly servicing the resources sector. Our single largest cost is operating labour and our ability to quickly adapt to reducing income is constrained by a ponderous and complex industrial relations environment.

Management has in large part endured a three year salary freeze and has at the same time dealt with considerable upheaval and adjustment. The Board appreciates their endeavour. That concludes my address and I will now hand over to Brenden Mitchell to present the Managing Director’s report.

Managing Director's AGM Address

My address will cover a brief overview of the FY15 results, an overview of the FY16 strategic priorities and focus, some brief comments on the FY16 outlook and an update on trading.

2015 was another challenging year with the market conditions remaining volatile with our Resources, Infrastructure and Utilities customers responding to the downturn by reducing levels of activity and expecting cost reductions from the Company. The reduction of activity in the market has in turn led to oversupply and a high degree of price competition which has impacted the rates the Company can charge in many cases.

Despite the challenging economic environment we are proud that we steadfastly maintain our commitment to safety and to the wellbeing of our customers, our people, our community and environment. This is a core value that underpins all of our operational activities and decisions.

I am pleased with the progress we have made in safety and that our Total Recordable Injury Frequency Rate (TRIFR) has improved by 23% over the course of the year and we continue to aim to drive this lower in FY16. The culture of safety is reinforced through our Safe Act Observations by our managers and supervisors that have increased year on year by 9%. This focus will remain critical to the Company in the coming year.

As the Chairman reported in his address the statutory net loss after tax was $36.9 million and the statutory loss before interest and tax was $33.2 million. This is clearly disappointing. The key driver of this result was a decline in revenue of 24% over the prior year that reflects the tough trading conditions that worsened in the second half of the year.

In response to these conditions the Company aggressively cut costs by:

- Restructuring and reducing the workforce by 147 positions giving annualised savings of $15.7m;
- Integrating the Boom Sherrin and Crane Logistics businesses to save overhead; and
- Targeting all cost categories for savings – achieving, for example, 40% reduction in travel and accommodation costs and 25% reduction in sub contracted equipment hire costs.

The business restructuring efforts incurred costs of $5.9 million, the majority of which were redundancy costs. The tightening of the market also reduced the fair value of the asset fleet causing a non-cash impairment charge of $20.8 million to be incurred.

After adding back these costs the trading EBITDA was $17.9 million significantly down on the prior year trading result of $42.1 million.

The market volatility experienced during the year made it extremely difficult to forecast activity from one month to the next. Our customers reduced their demand for our services which included temporary closure of mine sites, cancellation of routine maintenance, sometimes with little notice and delays to projects, particularly in the telecommunications and energy sectors.

These factors were particularly evident in quarter 3 of the financial year where a combination of low demand and a relatively fixed cost base severely impacted the results.

Whilst results were disappointing the Company stayed focussed on key targets and;

- Executed a surplus asset sales program that realised $20.3 million in cash proceeds;
- Managed working capital tightly to release cash from the balance sheet in an increasingly difficult environment;
- Applied $21.5 million to repay the Group's syndicated loan facility, reducing gearing to 36%.

On the cash flow side the Group generated free cash flow of $20.4 million, down from $25.9 million in the prior year. Despite the reduced operating result cash was generated through tight working capital management, proceeds from surplus asset sales of $20.3 million and proactive management of capital expenditure which was reduced to essential replacements.

Cash generation continues to be a primary focus for FY16.

Strong cash flow is at the centre of the new banking arrangements that we agreed with our banking syndicate during FY15. The key points of the new arrangements are:

- The key covenant is an operating cash flow measure designed to reflect the available cash flow generation available to service interest costs;
- A debt amortisation schedule that requires a quarterly debt repayment of $7.5 million;
- Importantly any earnings leverage covenant has been removed, reflecting and recognising the volatile market conditions; and
- A pre condition on any share buy backs introduced that requires both gross debt to be less than $40.0 million and earnings leverage to be less than 2.5 times.

At 30 June 2015 our gross debt under these arrangements was $78.4 million against an available debt facility limit of $82.5 million. I am pleased to report that at 30 September 2015 our gross debt under these banking arrangements is $68.0 million against an available facility limit of $75.0m. This reflects a significant debt repayment of $10.4 million made in the first quarter of FY16.

This reduces our gearing (net debt/ equity) to 33% from 36% reported at 30 June 2015.

The repayments were funded by $5.0 million realised from surplus asset sales and $5.4 million realised out of working capital.

We believe this is good progress and a large step nearer to where we require our debt level to be in order to start making returns to shareholders. We will continue to prioritise debt repayments. We expect to make a further $5.0 million debt repayment in October supported by $4.2 million of cash receipts from contracted asset sales to be received in the second Quarter. We also have a solid pipeline of sales that we expect to convert over the next 2 months. These actions will ensure we maintain momentum and have a Gross Debt at 31 December below $60.0 million against the amortisation schedule requirement of $67.5 million.

We are active in tendering and securing new profitable work where it becomes available. We have commenced work in August 2015 with Wesfarmers Curragh in the Bowen Basin. This relationship is developing well and we believe that with direct and indirect work through other contractors in the area we should realise the upper end of the $4-$6 million revenue that we previously announced concerning this contract and associated revenues.

We have also been actively targeting work in the North West of Western Australia using our shutdown services EBA and have won some dry hire and shutdown work to commence in October 2015 which has the potential to grow significantly this financial year and importantly develop new relationships that will allow us to grow profitably in this market.

We are also actively tendering a number of new revenue initiatives in the energy, resources and infrastructure sectors that we anticipate will come to fruition in the second half of the year.

We believe that the current industrial relations system operating in Australia lacks the required degree of flexibility to bring balance to the market. While our customers have responded quickly to falling commodity prices and changes in general economic conditions by cutting costs and reducing the price we are able to charge for our services, our labour costs remain locked in to labour agreements that were put in place over the period of the resources boom when conditions were distinctly different. The process to alter these labour agreements to bring them back to the new equilibrium is long and frustrating.

We are, however, very active in this area. We have already had significant success in establishing 2 new national Enterprise Agreements. These agreements allow us to better compete in the current market conditions and we are currently active in establishing operations under these agreements to service new clients and provide shutdown work at lower labour cost.

Our employees in Blackwater agreed to renew a local Enterprise Agreement that has allowed us to secure new work in the area. This is providing a new revenue and profit stream to the Company and securing the jobs of the employees in that community.

Where we can't get agreement with our employees to alter enterprise agreements we are actively looking for alternatives to ensure the sustainability of those businesses. For example, in the Hunter Valley, which was especially hard hit by the downturn in the second half of FY15, and is not currently profitable, we have not managed to reach a negotiated agreement with our employees. We have consequently taken our case to the Fair Work Commission to attempt to get the current Enterprise Agreement terminated to allow a new agreement to be negotiated that will provide greater flexibility, preserve jobs and provide a fair return to shareholders. This is a legal process governed by the provisions of the Fair Work Act and is not an easy path to take. We cannot just rely on these initiatives however and have agreed to outsource our transport services to a local transport provider who can get synergies in his business whilst allowing us to release additional assets for sale.

We are determined to return the business to an acceptable level of profitability which is vital for all our stakeholders. A constant driver of our actions is of course to deliver a return for our shareholders. Importantly we also see this return to profitability as vital for our employees. We want to provide safe and secure long term jobs for our employees and to support the communities that we operate in. To do this we need to be able to align the operational labour costs with the market conditions through new labour agreements that provide greater flexibility ensuring maximum labour cost recovery.

We are also actively reviewing businesses and where we believe that the market conditions will not allow us to return that local business to profitability then we will quickly take action. During the first quarter of FY16 we have taken the decision to close our business in Geraldton in WA releasing over $1.0 million of assets that were sold and the proceeds used to pay down debt.

The Company recognises that we are asking all our employees to accept changes in terms and conditions and this extends to operation staff and our staff in support roles. The Company has completed deep cuts in the cost of running the business and National Office function. These cuts have been completed in the first quarter of FY16 and will result in $3.1 million in annualised savings. This has involved a reduction of roles in Finance, IT, HR and Operational overhead as well as the replacement of senior executive roles with lower cost resources.

As noted above the Company does have the intention of continuing to repay a significant portion of bank debt in FY16. The sale of surplus assets to realise cash and repay debt remains a key priority and as outlined we have done this at a small profit to book value and we are on track to deliver our assets sales guidance as outlined to the market.

Turning to the outlook for FY16.

As mentioned the pricing pressure from our customers is relentless and does not show any sign of abating in the near term. Construction projects continue to be subject to delay or cancellation and the subdued level of project activity that is occurring in the infrastructure sector is fiercely contested and prices are subdued. We continue to actively and aggressively compete for work wherever it becomes available but do not foresee any significant upswing in activity in the short term.

Our trading results in the first quarter are marginally ahead of our results for the last quarter in FY15. This is in line with our expectation that this would be a year of stabilisation. Momentum is beginning to build as we work through and resolve some of the issues surrounding the reshaping of our labour arrangements and we can see some success with new customers including Wesfarmers Curragh.

We now expect that trading EBITDA before restructuring and other one off costs to be at the lower end of the $20 million -$30 million range that we announced in August. Proceeds from surplus asset sales of $20 million - $30million are on track and in conjunction with continued careful working capital management the consequent focus on debt reduction to achieve gross debt of less than $50 million by the end of 2016 is also on track.

We are confident in the plan that we are executing and I would like to reassure our shareholders that we are working diligently to return the company to acceptable levels of profitability.

A key part of our plan as noted above is the sale of surplus assets to release cash for debt repayment. A snapshot of our fleet and details of our assets sales is attached for your information as an addendum to this presentation.

A snapshot of our asset utilisation is also provided. This is shown by crane capacity and by travel tower boom length.

Also attached for your information is a market segmentation of our FY15 revenue.

You will note that whilst resources is out biggest market segment at 43% of revenue (with coal being the biggest contributor to that segment) we then have a diversified revenue base through construction and engineering, telecommunications, energy and utilities and industrial maintenance contracts.

Finally, I would also like to express my thanks to our people, some who have made significant contributions to then leave our business through the restructuring process. The Managers of the business have been under considerable pressure and have continued to show resilience and persistence through trying market conditions whilst not receiving pay increases now for three years. The commitment shown by them through this period has been exemplary and the commitment by all our people to safety is a credit to them.

I would also like to thank John and the Board for their proactive approach and engagement on the strategic and operational issues in the business as we drive for improved shareholder value.

Further Information:

Brenden Mitchell
Managing Director
+61 3 9207 2500

Tim Rogers
Chief Financial Officer
+61 3 9207 2500

Malcolm Ross
General Counsel & Company Secretary
+61 3 9207 2500

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of Boom and certain plans and objectives of the management of Boom. Forward-looking statements can generally be identified by the use of words such as 'project', 'believe', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'could', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of Boom, which may cause the actual results or performance of Boom to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this announcement. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, fluctuations in foreign currency exchange and interest rates, competition, Boom's relationships with, and the financial condition of, its suppliers and customers, or legislative changes, or regulatory changes or other changes in the laws which affect Boom's business. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements. Readers should not place undue reliance on forward looking statements. Except as required by law and ASX Listing Rules, Boom undertakes no obligation to update publicly or otherwise revise any forward looking statement as a result of new information, future events or other factors.