16 August 2016
ASX Code: BOL

Boom Logistics Limited
Full Year Result – 30 June 2016

- Revenue down 26% to $152.3m
- Significant cost reductions delivered increased operating margins. FY16 gross margin of 28.2% (FY15: 26.1%) and trading EBITDA margin of 7.4% (FY15: 7.2%)
- Trading EBITDA of $11.2m (FY15: $14.6m) – excluding profit or loss on sale of assets
- Non-cash impairment of $11.6m booked against the carrying value of the operating fleet (incurred in H1)
- Non-cash impairment of $6.8m booked against the carrying value of assets held for sale ($5.9m incurred in H1 with a further $0.9m in H2)
- Net loss after tax of $30.2m (FY15: loss of $36.9m)
- Gross syndicated debt reduced by $27.4m to $51.0m (30 June 2015: $78.4m)
- New long term finance package effective from 2 August 2016 providing flexibility and support for growth agenda

Business Stabilised

Boom Logistics Limited ("Boom" or "the Group") recorded a statutory net loss after tax for the financial year ended 30 June 2016 (FY16) of $30.2 million (FY15 net loss of $36.9). Statutory earnings before interest expense, tax, depreciation and amortisation (EBITDA) was a loss of $9.3m (FY15 loss of $9.0m) whilst statutory earnings before interest expense and tax (EBIT) was a loss of $28.9m (FY15 loss of $33.2m).

The FY16 Statutory EBITDA Result includes:

- a non-cash impairment charge of $6.8m applied to assets held for sale ($5.9m of the total was incurred in the first half of the year);
- a non-cash impairment charge of $11.6m applied to assets in the operating fleet (all incurred in the first half of the year);
- restructuring costs of $1.5m, including a provision of $0.3m for restructuring initiatives to be completed in the first quarter of FY16;
- $0.3m of legal costs associated with Boom's 18 metre glove and barrier legal claim; and
- loss on sale of assets of $0.4m representing less than 3% of the book value of the assets sold during the year;
- $0.1m of interest income received.

Adjusting for these costs, Boom's Trading EBITDA for FY16 was a profit of $11.2m (FY15: $14.6m).

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

Trading Conditions

The Group has experienced a difficult operating environment during the year. Demand from customers was both subdued and volatile creating challenges for resource planning and associated cost management. The market remains over-supplied resulting in a highly competitive market with severe pressure on pricing. The pressure on revenue has intensified over the year with a number of factors impacting Boom's revenue during the year.

- In response to the prevailing market conditions Boom has closed a number of depots in the current and prior financial years. This has had a negative impact on revenue but has increased Boom's profitability and, importantly, contributed to the Group's key strategic objective; increasing the flexibility of the business to respond to future demand and supply challenges. The depot closures have lowered the fixed cost base and released operating fleet either for sale or for redeployment to more profitable depots in order to expand on revenue opportunities.
- The on-going market pressures are sharpest within the resources sector and in particular in the coal sector. The impact of these conditions is most keenly reflected by revenue recorded at three Boom depots operating with a concentration of resources customers. These depots have experienced the sharpest decline in revenue as a result of declining customer demand and pricing pressures.
- The level of major project activity undertaken by Boom has declined in FY16 compared with prior year levels. By its nature this major project activity is volatile. FY16 saw a run off of activity on two major projects that had an associated impact on revenue. The Barrow Island LNG project has completed its construction phase resulting in a wind down of Boom's activity on the project and a non-repeat of the work on the Bald Hills wind farm that was completed in FY15.

Boom has proactively been making major change to the underlying business. The business is now more robust and more flexible, allowing it to respond more effectively to volatile market conditions. These initiatives are beginning to be reflected in the underlying results of the business.

- Revenue increased by combined $12 million across 15 of the 19 Boom depots, where a more moderate proportion of revenue is concentrated in resources customers or major projects.

A summary of the revenue impact on FY16 is shown below:

	Impact on FY16 Revenue
• Closure of unprofitable depots in the current and prior financial years	Decrease $25 million
• Price and volume pressure from major resources customers. Impact at three resources focussed depots	Decrease $19 million
• Winding down of major projects during the year	Decrease $19 million
• Increased activity across 15 of the 19 Boom depots	Increase $12 million
Revenue from Services	Decrease $51 million

Overall, the business is being transformed to become far more robust and better able to maintain long term sustainable growth across the network of depots.

Cash Flow and Financial Position

Free cash flow (generated from operating and investing activities) for FY16 was $22.2 million (FY15: $20.4 million) up $1.9 million on prior year. The cash flow generated from asset sales was $15.7 million (FY15: $20.3 million) with $8.3 million (FY15: $8.2 million) generated from operating cash flows. Operating cash flows in FY16 were supported by strong working capital management.

Free cash was used to repay debt with gross debt reducing by $27.4 million in FY16 to $51.0 million at reporting date. Gearing (net debt/ total equity) at 30 June 2016 reduced to 29% from 36% at 30 June 2015.

Operational Improvements

Market conditions have created considerable pressure on revenue throughout the year. To adapt to these conditions Boom has made significant operational improvements to the underlying business.

- Substantial cost saving initiatives have resulted in operating costs declining by 25% in the year:
    - Operating model has been reshaped to improve cost management so that costs can be flexed more in line with the volatility in revenue. This has resulted in an increase to the gross margin recorded of 28.2% (FY15: 26.1%).
    - Fixed costs have been restructured with central costs decreasing by 28%. This has resulted in an improved EBIDA margin of 7.4% (FY15: 7.2%).
- New markets and customers have been established:
    - Boom has begun significant new work in the infrastructure markets which have not historically been core markets for Boom. Further growth is expected from these opportunities in FY17;
    - Whilst developing new revenue streams Boom has continued its commitment to established markets. Profitable new relationships have been established with strategically important customers in resources, in particular with FMG in Western Australia and with Wesfarmers and BMA in Queensland. Building scale in traditional markets to benefit from Boom's considerable operational leverage is a key part of the FY17 growth plan.
- New service opportunities to develop revenue opportunities. Boom has established a capability in labour hire to allow an integrated labour solution to be offered to customers that goes beyond the traditional offering of crane and travel tower services.

The impacts of these operational improvements in the business over the year are reflected in the improved margins reported.

	FY16 H1	*FY15 H1*	FY16 H2	*FY15 H2*	FY16	*FY15*
Gross Margin %	29.3%	*28.1%*	27.1%	*23.7%*	28.2%	*26.1%*
Trading EBITDA Margin %	8.4%	*10.6%*	6.2%	*2.9%*	7.4%	*7.2%*

New Finance Facility

The Group's new long term finance facility became effective on 2 August 2016. The facility provides the Group with enhanced flexibility to provide a platform for revenue and profit growth in FY17. The new long term package includes three complementary facilities with a combined facility limit of $57.5 million:

- A $25 million, 5 year asset finance facility with De Lage Landen Pty Limited. The principal amortisation under this facility is $3 million per annum with a $10 million balloon payment due at the end of the facility. This facility is secured by a tranche of Boom's high quality assets, realising a loan to asset ratio of approximately 66%.
- A $12.5 million, 3 year syndicated loan facility with NAB and ANZ. Boom has retained the support of its key syndicate members on a facility with improved terms and importantly no fixed amortisation for at least 18 months.
- A $20 million, 3 year securitised trade receivables lending facility with Assetsecure. This facility does not require any amortisation and will flex with Boom's cash requirements.

Outlook

Market remains challenging with no prospect of a rate recovery in the short term. Whilst market conditions in resources, in particular, are expected to remain very tough Boom has an opportunity to rebuild profit by leveraging critical mass. The use of more flexible labour resources will assist in improving margins and will assist with revenue growth in these key geographies.

Additional growth is expected to come from infrastructure, energy and telecommunications markets. Whilst the pipeline of new customer activity is growing the rate of revenue and profit growth largely dependant on:

- Rate of success in competitive tenders; and
- Project timing

Boom expects to report an improved EBITDA result in H1 FY17 to exceed reported results in H1 FY16.

Further Information:

Brenden Mitchell
Managing Director
+61 3 9207 2500

Tim Rogers
Chief Financial Officer
+61 3 9207 2500