
# June 2013 Full Year Results Presentation

August 2013

# FY13 Results

BOOM LOGISTICS

**Substantial change in market conditions through the year. Significant actions taken and further business improvement initiatives underway.**

- **Statutory EBIT of $7.1m**
- **Statutory NPAT of $2.5m loss**

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- **Trading EBIT of $26.0m**
- **Trading NPAT of $10.7m**
- **Cashflow from operations of $51.2m**
- **Gearing at 37%**
- **Capital investment of $62.3m**
- **Net Tangible Assets per share of $0.51 (post impairment)**

Note:
1. All Statutory references reflect International Financial Reporting Standards (IFRS) financial information. Trading results reflect non-IFRS financial information and exclude one-off items such as restructuring costs.
2. Boom's FY13 Trading EBIT result is a non-IFRS measure that excludes $18.9m of one-off items, comprising restructuring costs ($6.8m), impairments ($11.0m) and legal fees associated with Boom Sherrin's 18m Glove and Barrier legal action ($1.1m). Boom's FY13 Trading NPAT is a non-IFRS measure that excludes the after-tax impact of these one-off items, being $13.2m.
3. Gearing = Net Debt / Equity

# FY13 performance – **Changed market conditions**

- **Iron ore, LNG and copper customer demand has been relatively strong**
- **Impacted by the downturn in coal and infrastructure sectors and delays in energy projects**
  - Coal customers in Queensland and NSW reacting swiftly to changes in their economic situations (reduced maintenance spend; cost reductions; dramatic reductions from October 2012)
  - Very low activity in the construction and infrastructure sectors, outside of gas and iron ore
  - The pipeline of projects in the power and utility sectors, serviced by our travel towers, not proceeding as scheduled
- **A continuing drive from major mining companies to reduce costs which has resulted in significant variability in activity and a general pushback on service rates**
- **December and Q313 seasonal downturn compounded by weather events (cyclones, heavy rain) followed by a slower than usual return to normal operating levels**
- **Requirement to adapt the Boom operating model to meet changes in demand as customers deal with their own economic issues**

# FY13 performance – **Management actions**

## Significant restructuring and fleet review to adjust the cost base

- Reduction of 130 people (12%), predominantly in NSW and QLD and including 38 overhead positions – circa $12m p.a. in cost savings expected
- 66 surplus cranes identified for disposal, predominantly older, smaller and less recognised models
- A freeze on senior executive salaries in FY14
- Restructuring underway in North West WA following the loss of the BHP Billiton ports contract, with redeployment of assets having commenced and restructuring provisions taken up at 30 June 2013
  - As announced to the market in May, the BHP Billiton iron ore ports contract in WA was lost in a tender process. This Management intensive contract delivered a circa 7% return on capital and the cranes engaged in this operation will be redeployed in September

## Further actions to come

- Enterprise Bargaining Agreement negotiations to focus on productivity improvement and a more flexible labour model
- Potential further redundancies driven by individual market conditions
- Overhead cost reduction initiative with a focus on centralisation of selected support functions
- Redeploying underutilised assets to dry hire or wet hire opportunities in other / new regions
- Sale of surplus assets

# Strategy Recap

**Boom is well positioned to drive business improvement in response to market changes**

- **Revenue derived primarily from major customer maintenance contracts**
  - Not reliant on new capital expenditure and expansion projects
  - Not susceptible to slow downs in exploration or new mine development
  - Strong capability to support customers who need to maintain production levels of existing facilities
- **Sector / commodity and geographic diversity**
  - Geographic and commodity diversity help defray the impacts of the coal and infrastructure slowdown (East Coast)
  - Boom Sherrin Travel Towers projects in the telecommunications and energy sectors are beginning to come on line after initial delays
- **Assets are in place to deliver strong cashflow**
  - Recent investment in improving the fleet mix means the current fleet is well balanced to meet current demand
  - Margins and returns will improve due to a reduction in cross hire requirement as well as surplus assets identified for disposal
  - As a result of the continued run down of the Boom Sherrin access & general hire business and restructuring of the Crane Logistics fleet, an $11.0m asset impairment has been recognised

# Asset impairments

**Specific impairments taken on surplus or non-core fleet. Value-in-use modelling supports the carrying value of Boom's core assets, reflecting a Net Tangible Asset per share value of $0.51.**

| 30 June 2013 Impairments | $m |
|---|---|
| Assets for disposal | |
| Cranes | 5.6 |
| Transport equipment | 1.3 |
| Access equipment | 0.1 |
| Non core Boom Sherrin access equipment | 3.1 |
| Other | 0.9 |
| **Total Impairment** | **11.0** |

- Recent investment in improving the fleet mix means Boom's current fleet is well balanced to meet current demand, resulting in surplus assets identified for disposal which have been written down to their expected sale price in the current economic environment. These assets include 66 cranes categorised as older equipment (average age of 17 years), low capacity (36 less than 20 tonnes) and from generally less accepted brands. These assets are planned to be disposed during FY14.
- The average age of Boom's remaining fleet of circa 400 cranes is 8.9 years.
- The non core Boom Sherrin access equipment assets have been impaired by $3.1m reflecting a decline in performance as these assets are run down to their end of life and 'managed for cash'.

# Financial Review FY13
## Profit & Loss

| $m | FY12 | FY13 | % change |
|---|---|---|---|
| **Revenue** | | | |
| Crane Logistics | 284.7 | **280.3** | (2%) |
| Boom Sherrin | 64.0 | **57.4** | (10%) |
| **Operating Revenue** | 348.7 | **337.7** | **(3%)** |
| Interest Income | 0.4 | **0.7** | |
| **Total Revenue** | 349.1 | **338.4** | **(3%)** |
| **Trading EBIT** | | | |
| Crane Logistics | 38.7 | **31.5** | (19%) |
| Boom Sherrin | 7.9 | **8.0** | 1% |
| Central costs | (11.1) | **(13.5)** | (22%) |
| **Total Trading EBIT** | 35.5 | **26.0** | **(27%)** |
| *Trading EBIT Margin* | *10%* | ***8%*** | |
| Interest Expense & Borrowing Costs | (11.2) | **(10.5)** | (6%) |
| Tax | (5.8) | **(4.7)** | |
| **Trading Net Profit after Tax** | 18.5 | **10.7** | **(42%)** |
| Non-Trading Adjustments | 1.3 | **(13.2)** | |
| **Statutory Net Profit after Tax** | 19.7 | **(2.5)** | **(113%)** |

Refer to Appendix for Trading Reconciliation

- **Crane Logistics revenue decline in East Coast coal and infrastructure sectors was offset by the first full year of the BHP Billiton Olympic Dam contract and solid growth in the North West (Gorgon, Karratha & Newman)**
- **Underlying Crane Logistics revenue declined during 2H13, with cost reduction actions taking effect from Q413; full benefit in FY14**
- **Boom Sherrin EBIT margin improvement from 12% in FY12 to 14% in FY13 as a result of restructuring activity undertaken in FY12**
- **Boom Sherrin revenue reduction reflects the 'manage for cash" strategy to run down the access & general equipment hire business**
- **Central costs includes increased costs associated with the move to centralise selected support functions, $0.7m amortisation of system costs and $0.8m for payment of FY12 short term incentives. FY12 included Group profit on sale of assets of $1.0m which is distributed to the relevant Business Unit in FY13.**

# Financial Review FY13
## Balance Sheet

| Statutory $m | 30 June 2012 | **30 June 2013** | **Movement** |
|---|---|---|---|
| Cash | 10.1 | **3.6** | (6.5) |
| Trade Receivables | 70.0 | **55.4** | (14.6) |
| Income Tax Receivable | 8.0 | **4.5** | (3.5) |
| Inventories | 0.3 | **0.5** | 0.2 |
| Assets Held For Sale | 4.6 | **10.9** | 6.3 |
| Plant & Equipment | 342.3 | **336.7** | (5.6) |
| Intangibles | 74.2 | **74.6** | 0.4 |
| Other Current Assets | 3.5 | **2.8** | (0.7) |
| **Total Assets** | 513.0 | **489.0** | **(24.0)** |
| Payables | 36.9 | **20.4** | (16.5) |
| Borrowings | 123.9 | **119.4** | (4.5) |
| Provisions | 14.0 | **17.2** | 3.2 |
| Other current & non-current liabilities | 22.5 | **18.7** | (3.8) |
| **Total Liabilities** | 197.3 | **175.7** | **(21.6)** |
| **Net Assets** | 315.7 | **313.3** | **(2.4)** |
| **Net Tangible Assets per share** | 0.52 | **0.51** | |

- **Solid balance sheet metrics maintained**
  - **Gearing: 37%**
  - **NTA: 0.51 cents per share**
- **Debt reduction achieved through operating cashflows, whilst still funding $62m capex**
- **Significant reduction in trade receivables through improvement in debtors days**
- **Surplus assets transferred to Assets Held For Sale at expected realisable value**
- **June 2012 payables included $11.5m of Letters of Credit which were settled and funded in 1H13**

Note: Gearing = Net Debt / Equity

# Financial Review FY13
## Cash Flow

| Statutory $m | FY12 | FY13 | Movement |
|---|---|---|---|
| Net receipts / (payments) | 46.6 | **60.3** | 13.7 |
| Net interest received / (paid) | (10.2) | **(9.1)** | 1.1 |
| Income tax received / ( paid) | - | **-** | - |
| **Net Cash provided from operating activities** | 36.4 | **51.2** | **14.8** |
| Purchase of plant and equipment | (46.7) | **(62.3)** | (15.6) |
| Payments for intangible assets - software development | (2.4) | **(1.4)** | 1.0 |
| Proceeds from the sale of plant and equipment | 15.3 | **11.2** | (4.1) |
| **Net Cash used in investing activities** | (33.8) | **(52.5)** | **(18.7)** |
| Net repayments of borrowings | (1.6) | **(5.2)** | (3.6) |
| Payment of dividends | - | **-** | - |
| **Cash used in financing activities** | (1.6) | **(5.2)** | **(3.6)** |
| **Net increase / (decrease) in cash** | 1.0 | **(6.5)** | **(7.5)** |
| **Closing cash** | 10.1 | **3.6** | **(6.5)** |

- **Improved operating cash flows reflects the improvement in trade receivables**
- **$62.3m of cash outflow for plant and equipment funded in FY13, comprising:**
  - **$11.5m of FY12 assets funded through Letters of Credit at 30 June 2012**
  - **new purchases of plant & equipment of $31.2m in 1H13 and $19.6m in 2H13**
- **Significantly reduced capex requirement in the short to medium term**
- **Assets held for sale expected to generate strong cash flows going forward**

# Outlook

- **Market conditions**
  - Continued subdued and volatile demand expected in the mining sector
  - Infrastructure spending outside of LNG and iron ore to remain low through FY14
  - Utilities demand in both telecommunications and energy expected to be solid through FY14
  - Increased activity expected in the wind farm sector

- **Priorities for FY14**
  - Continuing to refine Boom's labour model to achieve greater flexibility
  - Focussing on major opportunities for growth in LNG, wind and resources, as well as driving opportunities in new projects and markets
  - Further adapting Boom's operations as customers in the coal sector transition to a new operating paradigm
  - Redeploying under-utilised assets to dry hire or wet hire opportunities in other/new regions
  - Overhead cost reduction through the centralisation of selected support functions. This is expected to deliver an annualised saving of $2.0m, $0.7m of which is expected to be realised in FY14
  - Sale of surplus assets to generate cash
  - As there will only be limited capital expenditure requirements in FY14, Boom will use free cash flow to further deleverage and then to fund an expected on-market share buy back

Full Year Results Presentation

# Appendix

# Trading Result
## By Half

| $m | 1H12 | 2H12 | FY12 | 1H13 | 2H13 | FY13 | 1H13 pcp | 2H13 pcp | FY13 pcp |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Crane Logistics (incl. Melbourne tower cranes) | 141.4 | 143.3 | 284.7 | 156.1 | 124.2 | 280.2 | 10% | (13%) | (2%) |
| Boom Sherrin | 34.0 | 30.0 | 64.0 | 29.5 | 27.9 | 57.4 | (13%) | (7%) | (10%) |
| **Operating Revenue** | **175.4** | **173.2** | **348.7** | **185.5** | **152.1** | **337.6** | **6%** | **(12%)** | **(3%)** |
| National Office | 0.2 | 0.2 | 0.4 | 0.2 | 0.6 | 0.7 | (37%) | 209% | 51% |
| **Total Revenue** | **175.7** | **173.4** | **349.1** | **185.7** | **152.7** | **338.4** | **6%** | **(12%)** | **(3%)** |
| **Trading EBITDA** | **30.3** | **33.9** | **64.2** | **33.2** | **22.9** | **56.1** | **10%** | **(32%)** | **(13%)** |
| **Trading EBIT** | | | | | | | | | |
| Crane Logistics (incl. Melbourne tower cranes) | 19.0 | 19.7 | 38.7 | 21.6 | 10.0 | 31.6 | 14% | (49%) | (18%) |
| Boom Sherrin | 3.5 | 4.4 | 7.9 | 4.1 | 3.9 | 8.0 | 16% | (11%) | 1% |
| Central Costs | (6.6) | (4.5) | (11.1) | (7.8) | (5.7) | (13.5) | (19%) | (27%) | (22%) |
| **Total Trading EBIT** | **15.9** | **19.6** | **35.5** | **17.8** | **8.2** | **26.0** | **12%** | **(58%)** | **(27%)** |
| Interest Expense | (4.3) | (3.7) | (8.0) | (3.6) | (3.4) | (7.0) | | | |
| Borrowing Costs | (1.6) | (1.6) | (3.2) | (1.7) | (1.9) | (3.6) | | | |
| **Trading Profit before Tax** | **10.0** | **14.3** | **24.3** | **12.5** | **2.9** | **15.4** | | | |
| Tax Benefit / (Expense) | (3.1) | (2.7) | (5.8) | (3.7) | (0.9) | (4.6) | | | |
| **Trading Net Profit after Tax** | **6.9** | **11.6** | **18.5** | **8.8** | **2.0** | **10.7** | **28%** | **(83%)** | **(42%)** |
| Impairments (tax effected) | 0.0 | 0.0 | 0.0 | 0.0 | (7.7) | (7.7) | | | |
| Non - Trading Adjustments (tax effected) | 1.2 | 0.1 | 1.3 | (1.2) | (4.3) | (5.5) | | | |
| **Reported Net Profit after Tax** | **8.0** | **11.7** | **19.7** | **7.6** | **(10.1)** | **(2.5)** | **(5%)** | **(186%)** | **(113%)** |

## Explanatory Notes

### Note 1: Non-trading adjustments

The table below sets out the non-trading adjustments in the FY12 & FY13 results.

| | FY12 | | **FY13** | |
|---|---|---|---|---|
| **$m** | EBIT | NPAT | **EBIT** | **NPAT** |
| **Statutory result** | 37.2 | 19.7 | **7.1** | **(2.5)** |
| Restructuring costs | 1.2 | 0.8 | 6.8 | 4.8 |
| Impairments | - | - | 11.0 | 7.7 |
| Boom Sherrin 18m G&B legal expenditure | - | - | 1.1 | 0.7 |
| Profit on Sale – Melbourne Tower | (2.9) | (2.0) | - | - |
| **Trading result** | 35.5 | 18.5 | **26.0** | **10.7** |

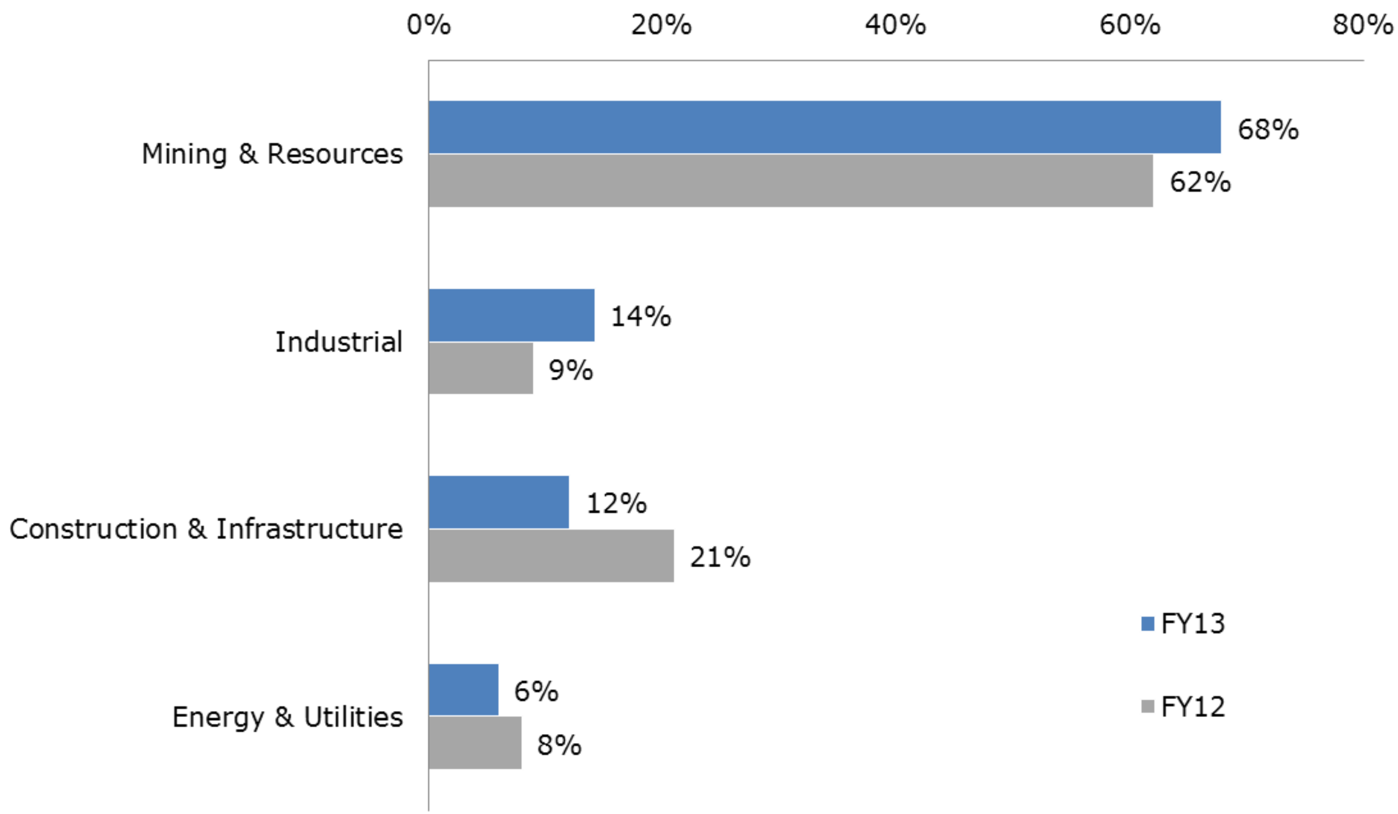
### Note 2: Statutory Revenue reconciliation

The table below sets out the composition of statutory revenue in 1H12 and 1H13.

| **Statutory $m** | FY12 | **FY13** | **% change** |
|---|---|---|---|
| Crane Logistics | 281.2 | **280.3** | **-** |
| Boom Sherrin Travel Towers | 34.9 | **34.3** | **(2%)** |
| **Core Business Revenue** | 316.1 | **314.6** | **-** |
| Boom Sherrin Access & Other | 29.0 | **23.1** | **(20%)** |
| **Revenue from Continuing Operations** | 345.1 | **337.7** | **(2%)** |
| Revenue from Discontinued Businesses | 3.6 | **-** | |
| **Operating Revenue** | 348.7 | **337.7** | **(3%)** |
| Interest Income | 0.4 | **0.7** | |
| **Total Statutory Revenue** | 349.1 | **338.4** | **(3%)** |

# Crane logistics revenue by sector

Boom's industry focus is resources, infrastructure, utilities and energy.  The FY14 growth in mining & resources reflects the first full year of the BHPB Olympic Dam contract.



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