

Boom Logistics Limited Announcement

23 February 2010
ASX code BOL

Boom Logistics Limited – Half Year Result

BOOM Logistics Limited (ASX: BOL) today announced a net profit after tax (“NPAT”) for the half-year ended 31 December 2009 of \$0.4 million (2H09 – net loss after tax of \$1.8 million).

Whilst the NPAT result was an improvement on 2H09, the operating result in 1H10 was largely consistent with that of 2H09 and well down on the equivalent half in FY09, with the effects of the Global Financial Crisis having impacted significantly on all parts of the business.

Achievements

Of significance during the half year:

- the completion of a fully underwritten \$67 million equity raising consisting of a 1-for-1 entitlement offer (\$52 million) and an institutional placement (\$15 million). The funds were principally used to reduce debt, ensuring a strengthened balance sheet to position Boom to take advantage of an increasing pipeline and future growth opportunities;
- a reduction in borrowings of \$96 million in the six month period (\$63 million of net equity raising proceeds and \$33 million of operating cash flows which included \$15 million of tax refunds);
- successful tender activity has resulted in a number of significant contract wins, including Rio Tinto, TDKJV (Gorgon), Bechtel/Sandvik and Newmont Boddington Gold;
- cost reduction initiatives implemented in response to revenue reduction;
- in line with Boom’s strategic objectives, capital investments have been prioritised towards high capacity, high margin assets including Australia’s first 750 tonne crawler crane. These assets are aligned to Boom’s strong project and industrial maintenance focus;
- a significant improvement in the Boom Sherrin Travel Tower business over the second half of FY09; and
- continued improvement in safety process and outcomes.

Divisional results

Crane Hire

Market conditions have continued to be challenging in all crane hire markets, with wet hire utilisation levels for the half being 66%, down from 71% in the second half of FY09.

The metropolitan areas of Perth, Brisbane and Melbourne were challenging with Port Kembla particularly hard hit with the maintenance activity of our major contract reduced significantly.

In addition to the 750 tonne crawler crane and the 400 tonne mobile crane deployed in late 2009 for operation in 2H10, two 450 tonne mobile cranes will be introduced in 2H10.

Boom Sherrin

Boom Sherrin has improved revenue in travel towers, however the access equipment hire business has been subdued with a slight deterioration in utilisation and continued price pressure. An increased sales effort to take advantage of the social infrastructure activity will be a focus in 2H10.

The impact of restructuring and cost saving initiatives within the business has improved margins and strengthened the EBIT result.

James Group

James Group revenue has reduced, with the capital equipment market still subdued and only limited demand stimulated through the Capital Investment Allowance.

James continued to reduce inventory levels by \$15 million in 1H10 and has agreed transitional plans with Tadano who are moving to a direct distributorship.

James is supporting the SANY crawler crane product for which sales enquiries are increasing in line with expected project activity.

Management are looking to further improve efficiencies in the James Group in 2H10. Headcount has already been reduced in 2H10 and the potential for consolidation of maintenance activities is being reviewed.

Outlook

The level of qualified tenders and projects continue to improve from \$92 million in November 2009 to \$122 million today. Retaining skilled labour will be essential to meet future demands.

Whilst overall economic activity is forecast to be subdued in the second half, project tender activity continues to show strong upward momentum towards late 2H10 and beyond, with signs of increased maintenance activity evident from our customer base.

The second half is likely to be at the lower end of the EBIT guidance of \$16 million - \$26 million with an NPAT result of \$2 million - \$5 million.

This guidance includes:

- the increased revenue associated with the recent investment in large cranes;
- specific contracts recently won and their full year impacts;
- an increased average utilisation based on anticipate activity around maintenance and shutdowns; and
- some sales conversion on increased SANY crawler crane enquiries.

Commenting on the result Mr Mitchell said "The 2009 calendar year was exceptionally difficult, however with a clear focus on our customers, the right investment strategy and our strengthened balance sheet we are in a far stronger position than six months ago.

With the balance sheet restored through the support of our shareholders, we are now well positioned to fulfil our strategic objectives. We can reposition our fleet mix towards larger capacity, higher margin generating equipment and enhance our project capability whilst sustaining and growing our industrial maintenance activities within Australia.

The increasing number and value of tenders, and our associated success rate, supports our outlook leading to a stronger FY11."