

Boom Logistics Limited Announcement

7 July 2009
ASX code: BOL

Boom Logistics Limited – market update

Merger proposal

Over recent days, Boom Logistics Limited (“Boom”) has been undertaking confidential market soundings in respect of a proposed equity raising to strengthen its balance sheet and reposition the Company for ongoing business development. During the course of these soundings, Boom has received an unsolicited merger proposal from the Harbrew Group (“Harbrew”). Harbrew, through its associated entities which include McAleese Investments Pty Ltd, is the largest shareholder in Boom with an aggregate holding of 12.2%.

Harbrew’s merger proposal is preliminary in nature and as such represents an incomplete proposal. It does, however, offer the prospect of an alternative approach to balance sheet strengthening and business development, as well as creating a substantially larger enterprise.

Harbrew’s merger proposal will be assessed in conjunction with other strategic opportunities with a view to maximising value for all shareholders. It is currently proposed to put any equity raising on hold whilst these strategic opportunities are assessed. It is expected that the evaluation process will take several months to complete with assistance from external advisers. Consequently, Boom is not in a position at this time to state whether any proposal or strategic opportunity will proceed or the related timeframe. In the meantime, Boom will be conducting its business as usual.

Outlook

FY09

FY09 earnings guidance is unchanged since the early May 2009 market update, with operating NPAT (excluding one-off items) forecast to be approximately \$12 million and EBITDA approximately \$70 million. As also addressed in the May 2009 announcement, non-recurring and non-cash goodwill and asset impairments of approximately \$39.4 million pre tax are expected with other non-recurring costs, including restructuring, expected to be approximately \$3 million. This guidance is subject to finalisation of the June result and the outcomes of the annual audit.

FY10

FY2010 guidance is for an EBITDA of \$65 million. This guidance reflects the uncertainty of the prevailing market conditions and essentially assumes no revenue growth from the depressed levels of 2H09, no changes to Boom’s contract profile and no further operational improvements over restructuring benefits already realised through headcount reductions in 2H09 (a benefit of approximately \$13 million). This base case position does not include any improved performance from a number of current and future opportunities, including major projects, further operational improvements and existing contract enhancements that Boom is currently finalising.

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Banking position

As a result of the severe downturn in activities experienced in 2H09 (particularly in January and February), the Company would have breached the earnings leverage covenant in its syndicated debt facility as at 30 June 2009. However, prior to 30 June 2009, Boom received an unconditional waiver in relation to this covenant.

Boom is in compliance with all other banking covenants at 30 June 2009, including the Debt Service Cover Ratio. Boom continues to work positively and transparently with its banks to ensure continuing flexibility of funding arrangements.

Boom Logistics is the leading national provider of lifting solutions with a large, flexible fleet and a strong base of contracted customers across the resources, energy, industrials and infrastructure sectors. It has an asset base in excess of \$400 million with a net asset backing of \$0.89 per share at 30 June 2009 (post-impairments) and generates strong operating cash flows. These cash flows are sufficient to service interest on borrowings, including planned capital expenditure, and to meet all scheduled debt repayments.

For further information please contact:

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