

Boom Logistics Limited Announcement

22 August 2011
ASX code: BOL

Boom Logistics Limited

Full Year Result – 30 June 2011

FY11 Highlights

- Strategic investment focus on the core business is delivering results.
- 17% revenue growth in the Crane Logistics business, with a corresponding 52% increase in trading EBIT and a 4% increase in margins.
- Successful tendering in the fast growing resources and energy sectors.
- Successful debt refinancing.
- Restructure and disciplined focus to drive profit improvement in Boom Sherrin.
- Exit of James Equipment and planned exit of GM Baden.
- Impairment of \$43.1 million predominantly in the low end access business of Boom Sherrin.

FY11 Results

Boom Logistics Limited (“Boom”), Australia’s leading provider of crane logistics and lifting solutions, today announces a trading profit after tax for the year ended 30 June 2011 of \$5.4 million (FY10 trading profit after tax - \$4.1 million). This is line with Boom’s most recent market guidance indicating a range of \$4 million to \$6 million.

This trading result was impacted by one-off restructuring costs and non-cash impairments of \$43.1 million resulting in a statutory net loss after tax for the year of \$37.7 million (FY10 net profit after tax - \$6.5 million).

Further information on the restructuring costs and impairments is set out below and a reconciliation of the statutory NPAT to the trading NPAT is set out in Appendix 1.

Review of operations

Crane Logistics

The crane logistics business experienced continued strong demand in its key market segments of resources, energy, utilities and infrastructure. Boom’s core business is largely aligned with the fastest growing sectors of our economy with an established

national footprint including the Bowen Basin, Hunter Valley and the North West. Momentum in these regions is underpinned by Boom's exposure to major expansion plans and projects through blue chip customers including Rio, BHP and Gorgon.

Boom's core business of crane logistics showed continuing improvement despite the impacts of severe weather events in Queensland and Western Australia. Revenue increased by 17% compared to the prior year with a corresponding 52% increase in trading earnings before interest and tax.

Key events during the year included:

- 27% and 47% revenue growth in the resources and energy markets respectively;
- the re-signing of key contracts including BHP Mitsubishi Alliance ("BMA"). BMA is Boom's largest customer and this 3 year contract is for an expanded range of services;
- increased revenue in the energy sector with progress in both LNG and wind. This years successes included the early completion of the Suzlon AGL Oaklands Hill wind farm, Boom's first major wind farm construction project; and
- severe weather events impacted cash flows and restricted capital. This required cross hire to meet work commitments resulting in reduced margins.

Continued execution of Boom's strategy and the focus on the resources, energy, utilities and infrastructure sectors will deliver profitable growth and improved returns in FY12 and beyond. Key market activity is on track, with contract and revenue expansion occurring with major customers and a strong new business pipeline into the future.

The capital plan for FY12 focuses on reducing crane cross hire to improve margins and supporting our key customers in growth markets. The Crane Logistics' Return on Capital Employed ("ROCE") at 30 June 2010 of 12% is expected to increase to 15% at 30 June 2012.

Strategic focus continues

Boom's continued focus on its core business and the associated capital investment discipline has led to restructuring and one-off non-cash impairments in other business units as noted below. All restructuring and one-off non-cash impairments set out below are stated pre-tax.

Boom Sherrin

The Boom Sherrin business is being restructured to deliver a stronger outcome for the Group. The company's investment focus on the core business of cranes and travel towers means that future investment in the low end access and general hire business will be minimal. Given the declining asset base associated with low end access and general hire equipment significant non-cash impairments have been recognised.

These non-cash impairments are as follows:

- a write off of goodwill within Boom Sherrin of \$18.269m; and
- an impairment of assets of \$19.142m.

The investment in travel towers will continue with new investment targeted to deliver a return on capital of greater than 20%.

Looking to the future, Boom Sherrin will seek to maximise cash flow from access and general equipment hire in a zero capital investment environment by:

- aligning infrastructure with the asset base;
- re-deploying productive assets to higher yield areas; and
- disposing of unproductive assets to maximise cash flow contribution.

James Group

The exit of the James Equipment crane sales business was announced on 29 October 2010 and the exit has been successfully completed.

Boom has also made the decision to exit the GM Baden maintenance business and it is expected that the exit of this business will be completed by September 2011. The exit has been fully provided for at 30 June 2011.

National Office restructure

Over the last three years the National Office team has worked to improve processes and systems devolving increased capabilities to the Business Units. The successful progress of these initiatives has led to a review of National Office structure and its headcount.

General Managers in the business will now report directly through to the Chief Executive. A flattening of the business structure will deliver indirect labour cost savings of \$1.5m.

Successful debt refinancing

Boom obtained financing approval for a \$150 million 3 year revolving debt facility on 30 June 2011. The facility is provided by Boom's existing banking syndicate, National Australia Bank, GE Capital and BankWest and was executed and drawn down on 17 August 2011.

After the refinancing, Boom's overall cost of debt is expected to average around 9% for the 2012 financial year (2011 – 11.8%) The facility ensures Boom can support growth initiatives.

Outlook

Boom Group

The Boom Group is projecting an FY12 EBIT result in the range of \$35 - \$40 million. This will result in Boom's Net Tangible Assets per share increasing to c. \$0.53 at 30 June 2012, up from \$0.49 at 30 June 2011.

Crane Logistics

Reflecting the strong Crane Logistics value proposition and market strategy, increasing new business opportunities and a planned capital investment of c. \$65 million, the Crane Logistics business expects an EBIT of c. \$45 million and a ROCE of c. 15%.

Boom Sherrin

An EBIT of c. \$6 million is expected for Boom Sherrin, which will result in an 8% ROCE. It is expected that new travel tower investment will yield returns of greater than 20% ROCE and the alignment of cost structures with the asset base are expected to drive further profit improvement. The change in investment focus to higher yielding assets will lift ROCE outcomes.

Mr Brenden Mitchell, CEO of Boom Logistics stated: “Boom’s core strategy, focus on key growth markets and disciplined capital investment has positioned the company for profitable growth and improved returns. The current tender pipeline has \$450 million of new revenue opportunities over the next 2 - 3 years and is growing. This provides a confidence in FY12 and beyond.”

Further Information:

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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', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', '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.

Appendix 1: Reconciliation of statutory NPAT to trading NPAT

\$m	EBIT	NPAT
Trading Result	23.2	5.4
Interest income	(0.5)	-
1H11 restructure costs	(3.3)	(2.4)
2H11 restructure costs	(1.5)	(1.0)
GM Baden restructure costs (inventory impairment)	(0.8)	(0.6)
Boom Sherrin adjustments		
Access related goodwill write off	(18.3)	(18.3)
Access related asset write off	(19.1)	(13.4)
Glove & Barrier write down	(3.7)	(2.6)
Assets scheduled for sale write down	(1.7)	(1.2)
GM Baden goodwill write off	(1.4)	(1.3)
Assets scheduled for sale write down	(3.3)	(2.3)
Statutory Result	(30.4)	(37.7)