Lifting Solutions for Australia

Boom Logistics Limited Announcement

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Half Year Result – 31 December 2013

Period of consolidation and well positioned for future growth

Boom Logistics Limited ("Boom"), Australia's leading provider of crane logistics and lifting solutions, today announced a net profit after tax for the half year ended 31 December 2013 of $4.9 million (1H13: $7.6 million). Earnings before interest expense and tax ("EBIT") were $11.7 million in 1H14 (1H13: $16.1 million).

At the trading level, net profit after tax was $5.4 million in 1H14 compared to $8.8 million in 1H13. Trading EBIT was $12.5 million compared to $17.8 million in the prior corresponding period.

The trading EBIT in 1H14 excludes $0.65 million of costs associated with restructuring activities in Moranbah and the transition to a shared services centre and $0.1 million of one-off legal costs associated with Boom's 18m glove and barrier legal claim.

Half-year highlights

- **Significant reductions in cost base preserves operating margins despite lower revenue**
- **Several contract wins and renegotiated contracts to support future growth**
- **Positive free cashflow of $13.4m**
- **Gearing reduced to 32% (37% at 30 June 2013)**
- **Net debt reduced to $102.0 million ($115.8 million at 30 June 2013)**
- **Capital investment of $7.8 million and disposal of surplus assets of $9.9 million**
- **Net Tangible Assets per share of $0.52**

Boom Chief Executive Brenden Mitchell said: "Market conditions continue to be challenging with pricing pressure, subdued conditions in coal and infrastructure and the impacts of the loss of the BHPB Ports contract in FY13. However, Boom has responded with further significant reductions in our cost base. Of particular importance has been the support of our people in renegotiating EBAs to ensure an environment where we are competitive across all markets in Australia. We will continue to drive for further productivity improvements within our EBA environment."

"Boom has recently been successful with several contract wins and renegotiations that position the company well for improved market conditions. Our existing fleet can accommodate this expected growth without the need for substantial capital investment. We have also been successful in achieving our target to sell surplus/obsolete assets within the first half, with further sales expected in the second half to support the company's continuing objective of reducing debt."

"Whilst significant gains in transitioning the business in NW Australia have been made, our Queensland operations in the Bowen Basin have been underperforming due to pricing pressures and volume volatility." Mr Mitchell said.

1H14 overview

Revenue reductions were primarily a consequence of:

- the loss of the BHPB Ports contract in Port Hedland;
- significant reduction in maintenance volumes in the Bowen Basin combined with demand volatility; and
- the continued rundown of the access & general hire business within Boom Sherrin in keeping with our "manage for cash" strategy for this business, offset by revenue increases in the core travel tower business compared to 2H13.

Boom has responded with ongoing initiatives including:

- further restructuring with an additional 88 redundancies occurring in 1H14 across the business following the headcount reduction of 130 during FY13. This included reducing administration overheads with the transition of transactional accounting in Queensland and New South Wales into a shared services centre in Brisbane;
- refining Boom's labour model primarily through the renegotiation of EBAs to achieve greater flexibility;
- focussing on major opportunities for growth in LNG, wind and resources, as well as pursuing opportunities in new projects and markets. This has resulted in Boom:
    - being awarded the principal contract for the installation and mechanical completion of the Bald Hills Wind Farm in Victoria. This is expected to commence in April for a period of 7 months;
    - extending services with existing customers on the Gorgon LNG project (on Barrow Island and at the land base at Henderson);
    - winning new business with:
        - Fortescue Metals Group;
        - Leightons;
        - Bulga Coal; and
        - Wheatstone LNG project;

    - retaining key customers such as Alcoa, , Rio Tinto and Karara Mining.
- redeploying under-utilised assets to dry hire or wet hire opportunities; and
- the sale of surplus/obsolete assets to reduce net debt.

Capital Management

Deleveraging

Boom has previously communicated its intention to further reduce its debt to protect against any further market volatility. During the half year, supported by strong cash flow generation, Boom reduced its net debt from $115.8 million to $102.0 million with an associated reduction in gearing from 37% to 32%.

Following a fleet review to address changed market conditions in FY13, Boom set a target of achieving $10 million of surplus/obsolete asset sales in FY14. This target was met in the first half. With over $7 million of assets held for sale at December, asset sales are expected to continue in the second half. During January, Boom sold its Tasmanian access & general hire assets to local Management for proceeds of $1.55 million and a profit on sale was realised which will be recognised in second half accounts.

As expected, Boom has required limited capital expenditure during the half year with $7.8 million expended and $3.2 million of capital committed as at 31 December 2013. The company believes that the existing crane fleet is well positioned to benefit from a market recovery without the requirement for significant amounts of capital expenditure in the short to medium term. Boom will however commit to a number of replacement assets in the core travel tower business during the second half, but the majority of these will not be delivered and operational until FY15.

Share buy back

No interim dividend has been declared for the FY14 year and the timing of a potential share buy back will continue to be assessed as Boom prioritises the deleveraging of the balance sheet and monitors market conditions.

Refinancing

In December, Boom successfully completed the refinancing of the company's syndicated bank debt facility, which was due to mature in August 2014.

The A$120 million 3 year revolving debt facility has been provided by existing syndicate members National Australia Bank and GE Capital and introduces ANZ Bank as a new syndicate member.

The rigorous due diligence performed as part of this refinancing has given Boom further significant comfort in respect of the carrying value of its assets.

In line with Boom's commitment to further debt reduction, the facility will amortise down to A$90 million over its life. The facility has an expiry date of January 2017.

The new facility enables Boom to comfortably meet funding requirements over the 3 year period and includes a covenant package which compares favourably with Boom's previous arrangements.

Boom's overall cost of debt is expected to remain at an average of circa 7.5%, consistent with the previous facility.

Outlook

Boom expects prevailing market conditions to continue with the usual susceptibility to weather events in Q314 and with:

- 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; and
- increased activity in the wind farm sector.

Boom will continue to seek opportunities to improve its revenue base with both existing and new customers whilst also pursuing opportunities for further cost reductions.

Further Information:

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