

Boom Logistics Limited Announcement

2 May 2014
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Trading Update

Status of BMA tender

The BHPB Mitsubishi Alliance (“BMA”) has been a significant Boom customer in the Bowen Basin’s coal sector in Queensland. The BMA contract expires on 30 June 2014 and has been undergoing a tender process with a focus on further reducing costs for BMA against a backdrop of lower coal prices and squeezed margins across the sector.

As noted in Boom’s half year results announcement on 12 February 2014, there has been a significant reduction in maintenance volumes in the Bowen Basin, combined with demand volatility. A 50% reduction in revenue earned from BMA over the last three years, coupled with volatility of demand and higher fixed costs associated with servicing remote locations, particularly for labour and accommodation, has meant that this part of our business has underperformed with sustained contract losses at the EBIT level over the last 6 months.

Boom has been unable to reach agreement on commercial terms with BMA at a level sufficient to allow a return on assets employed. Boom will continue to support BMA through an orderly transition to a new supplier.

The transition will involve a restructuring of Boom’s Queensland business, including redundancies, physical relocation of assets and closure of certain depots. This will be worked through with our people in the coming weeks once a transition plan has been agreed with BMA.

Concurrently Boom will focus on repositioning to new customers and revenue streams. The cranes associated with BMA will be redeployed to other markets in both wet and dry hire applications where more satisfactory returns can be obtained. This will also allow older assets to be released for sale which in turn will release cash to further reduce debt.

Boom will continue to focus on broadening its revenue streams in other energy, resources, infrastructure and utilities sectors where our sales pipeline remains strong.

Trading Update

The third quarter is typically the weakest with slow pick up from the Christmas holiday period and the usual weather interruptions as the cyclone season and persistent rain troughs impact on activity in the North East and North West of the country. This year has followed the usual pattern although the third quarter Trading EBIT loss is \$1.5 million higher than last year’s corresponding period EBIT loss of \$0.35 million. A major contributor to the reduced performance in this quarter was the company’s exposure to the Forge Group Limited collapse

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where a combination of receivables, asset removal costs and time lost in rehiring assets has resulted in approximately \$750,000 of foregone EBIT at the trading level.

April has been a subdued month with a prolonged slow down in activity due to the combined Easter and ANZAC day public holidays.

Despite these difficulties, free cashflow over the period has enabled continuing debt reduction and the Company will continue to give emphasis to further debt reduction in the period ahead.

During the balance of FY14 we expect trading improvements in the North West of WA, with significant work on order. Boom is also in the final stages of contract completion for the provision of crane and labour resources in WA and expects to make an announcement in this regard in the near future.

Improvements are also expected in New South Wales and Victoria, with the latter supported by the Bald Hills wind farm project. Conditions in the Queensland market are expected to remain subdued with ongoing poor performance in the Bowen Basin and a period of transition to more profitable opportunities following the completion of our obligations under the BMA contract.

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