

21 December 2015
ASX code: BOL

Boom Logistics Limited Replacement Financial and Trading Update

Boom Logistics Limited (ASX: BOL) (“the Company”), continued to face difficult market conditions over the first half of FY16 and wishes to update the market on progress against three key strategic initiatives for FY16 which were laid out at the Annual General Meeting on 27 October 2015 as follows:

- Sell surplus assets to release proceeds of between \$20 million - \$30 million;
- Continue to focus on debt reduction as a capital management priority to achieve gross debt of less than \$50 million by 30 June 2016; and
- Stabilise trading EBITDA performance at circa \$20 million.

Update on Surplus Asset Sales Program

The asset sales program has been actively pursued in the first half of FY16. Asset Sales of over \$11 million have been realised at close to book value with the proceeds applied to debt repayments.

The Company remains on track to deliver on its guidance of achieving asset sales of between \$20 million - \$30 million for FY16 (FY15: \$20.3 million).

Update on Debt Position

The Company expects to reduce its gross syndicated debt to below \$55 million as at 31 December 2015. The expected gross debt position will provide the Company with significant headroom against the amortising debt facility limit which is \$67.5 million at 31 December 2015.

The Company is well on track to deliver on its debt reduction strategy of gross syndicated debt below \$50 million by 30 June 2016 (30 June 2015: \$78.4m).

Update on Trading

Trading Earnings before Interest, Tax, Depreciation and Amortisation (“trading EBITDA”), prior to restructuring and other one off costs, is expected to be around \$6 million - \$7 million for the first half of FY16. This is considerably higher than the \$4.1 million achieved in the second half of FY15, particularly with the latter boosted by a \$1.4 million profit on sale of assets.

The downturn in the operating environment as noted by the Chairman in his address to the Company’s AGM on 27 October 2015 has persisted.

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Whilst pressure on revenue remains relentless the Company has continued to cut operating costs and improve operating flexibility, with the benefits evident in the improved trading EBITDA performance for the first half FY16. Business improvement initiatives are a continuing process.

Asset Values

The last six months has seen a significant increase in the number of assets on the market in Australia and internationally. The increased supply has impacted asset values and led to a corresponding reduction in the fair market value of some of Boom's operating assets.

The fair market value of the Company's operating assets is reviewed every six months with support from an independent expert valuer. As a result of this review and reflecting the market wide decrease in asset prices, the Company intends to book a non-cash impairment charge of circa \$12 million against the carrying value of its operating fleet.

In addition the Company intends to book a non-cash impairment charge of circa \$6 million against non-core assets that have been identified for sale in the second half of the year. \$3 million of this impairment relates to non-core transport assets that have been released for sale following the closure of the loss making transport business formerly based in Wedgefield in WA and the outsourcing of the transport business formerly based in Singleton in NSW. The remainder of the non-cash impairment charge relates to cranes with specifications identified as surplus to current operating requirements or older assets where values have been impacted more acutely.

These charges will be recorded as non-trading, non-cash items in the half year financial statements as at 31 December 2015.

Outlook

The Company does not foresee any significant upswing in the resources sector in the short term. The Company is however continuing to aggressively compete for new work particularly in the renewable energy, infrastructure and utilities markets and is continuing to reshape its labour arrangements to reflect the current trading conditions.

The quantum of second half FY16 EBITDA improvement is expected to be somewhat dependant on a positive outcome from negotiations for new labour agreements at two key depots and the Company's success in tenders for key project work which are currently in the final stages of consideration.

The Company's half-year results are expected to be released on or around 17 February 2016.

Further Information:

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