Lifting Solutions for Australia

17 February 2016
ASX code: BOL

Boom Logistics Limited
Half Year Result – 31 December 2015

- Financial position strengthened with gross syndicated debt reduced by $25.9m in the period to $52.5m (30 June 2015: $78.4m)
- Free cash flow of $19.3m (FY15 H1: $13.8m)
- Revenue down 31% to $80.0m
- Significant cost reductions delivered an increased trading gross margin of 29.3% (FY15 H1:28.1%)
- Trading EBITDA of $6.7m (FY15 H1: $12.0m; FY15 H2: $2.6m) – excluding profit on sale of assets
- Non-cash impairment charge of $11.6m booked against the carrying value of the operating fleet
- Non-cash impairment charge of $5.9m booked against the carrying value of assets held for sale
- Net loss after tax of $20.3m (FY15 H1: loss of $3.4m)

Results in line with market update

Boom Logistics Limited (ASX: BOL) ("**Boom**" or "**the Group**") financial results for FY 2016 first half were in line with the update provided to the ASX on 21 December 2015.

Trading EBITDA for the six months to 31 December 2015 was $6.7m. This was down on trading EBITDA of $12.0m (before profit on sale of assets) recorded in the 6 months to 31 December 2014 but significantly up on the trading EBITDA of $2.6m (before profit on sale of assets) recorded in the previous 6 month period to 30 June 2015.

The FY16 H1 trading EBITDA result excludes the following:

- Non-cash impairment charge of $11.6m booked against the carrying fair value of the operating fleet, which has a post impairment carrying value of $202.2m (30 June 2015: $234.8m). This reduction is a reflection of the volume of assets that have been for sale in the market both in Australia and internationally over the last 6 months. The increased supply in assets available for sale has impacted asset values across the sector and resulted in a reduction in the fair market value of Boom's operating assets;
- Non-cash impairment charge of $5.9m booked against the carrying value of assets held for sale, $3.0m of which relates to non-core transport assets;
- Restructuring costs of $0.8m; and
- Legal costs of $0.1m associated with the 18m Glove and Barrier claim.

After reflecting the asset impairments and non-trading costs the net loss after tax was $20.3m for the period (FY15 H1: loss of $3.4m).

The net asset value at 31 December 2015 has reduced to $178.1m (30 June 2015: $198.3m). This represents a net tangible asset value of 37 cents per share at 31 December 2015 (30 June 2015: 41 cents per share).

Revenue

Revenue in the period has declined due to:

- the closure of several unprofitable depots during the current and prior period – impacting revenue by circa $14.6m;
- resources customers responding to market conditions by reducing demand, particularly in the coal sector – impacting revenue by circa $9.7m; and
- reduced level of project activity in the period – impacting revenue by circa $8.9m.

Pressure on revenue has continued as the downturn in the operating environment has persisted. Importantly, however, the Group has not lost any significant contracts or customers in the period and the Group is now seeing the revenue pipeline for infrastructure work increasing. The financial position of the Group has stabilised and the Group is now confident of continued profit margin improvement.

The restructuring efforts and cost cutting that the Group has accomplished over the last few periods has resulted in an increase in the trading gross margin to 29.3% for the period up from 28.1% in FY15 H1. In part this is a reflection of more flexible labour models. Further work on improving labour flexibilities is on-going which should result in greater gross margin improvement over the next 12 months.

Costs continue to be closely managed and work on business improvement initiatives is a continuing process.

Cash Flow

Operating cash flow for the period was $8.5m (FY15 H1: $11.5m). Free cash flow (operating cash flows plus investing cash flows) for the period was $19.3m (FY15 H1: $13.8m).

Solid cash flow for the first half of the year included the following:

- a cash inflow as a result of a tax refund of $4.5m (FY15 H1: $4.5m);
- non-trading cash outflow of $4.5m (FY15 H1: $4.0m) in the period – this represents the cash cost of the non-trading expenses recorded in the profit and loss statement in the period ($0.9m), the cash outflow for payments relating to the restructuring provisions that were reflected in the balance sheet at 30 June 2015 ($2.7m) and the cash outflow relating to paying the annual leave and long service leave provisions owed to employees made redundant as a result of the restructuring activities ($0.9m).

Asset Sales Program

Included in the free cash flow amounts are the proceeds from asset sales of $11.3m in FY16 H1 (FY15 H1: $9.3m). An additional $2.2m of assets have been sold or contracted for sale since 31 December 2015.

At 31 December 2015 $10.6m of assets were classified as assets held for sale and these assets are designated to be sold in the next period. Included in this balance are $3.6m of non-core specialised transport assets that were released for sale following the closure of the transport business in Wedgefield during the period and the outsourcing of transport services at the Singleton depot.

The Group expects to achieve asset sales of circa $20.0m for FY16 (FY15: $20.3m).

Financial Position

The Group has strengthened its financial position during the period with the proceeds from asset sales and operating cash flows applied to make significant repayments, totalling $25.9m, against the syndicated debt facility. The gross syndicated debt at 31 December 2015 was $52.5m down from $78.4m at 30 June 2015.

The syndicated debt facility limit amortises down by $7.5m per quarter. At 31 December 2015 the facility limit was $67.5m and $15.0m of this limit was undrawn.

Continued debt reduction remains a priority for the Group and the Group remains on track to report gross syndicated debt below $50.0m at 30 June 2016.

Board Renewal

The Chairman has informed the Board of his intention to retire prior to the next Annual General Meeting. The Board has engaged a consultant to assist in the selection of a successor to the Chairman and to fill existing Board vacancies.

Outlook

The repair and rebuilding of the business will continue. The benefits of the improved labour market flexibilities will continue to be reflected in improved margins. Importantly, the flexibilities will also allow the Group to competitively target new revenue opportunities.

Market conditions are expected to remain difficult with no prospect of rate recovery being achieved in the short term. The Group is therefore targeting new revenue opportunities with a particular focus on growing revenue in the infrastructure sector, broadening its revenue base and market share in the Queensland market and capitalising on new customer opportunities in West Australia. The Group is also seeking to extend travel tower opportunities in the telecommunication and energy sectors.

The rate at which the Group is able to build revenue is dependant on the pace of success in tender opportunities and the timing of new projects.

In the absence of any significant new tender successes in the short term we expect the second half trading EBITDA to be in the range of $6m-$8m.

Further Information:

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