

11/12/17
ASX code: BOL

Boom Logistics Limited to Present at the Finance News Network Investor Event

Boom Logistics Limited (ASX:BOL) will present at the Finance News Network Investor Event in Sydney on 12th December 2017.

The Chief Executive Officer & Managing Director, Brenden Mitchell will present on behalf of Boom Logistics Limited.

Event Details

Date Tuesday 12th December 2017
Boom Logistics presenting at 12.30pm (Australian Eastern Daylight Savings Time)
Venue Radisson Blu Plaza Hotel Sydney
27 O'Connell Street
Sydney, NSW, 2000

A copy of the presentation is included as an Appendix to this announcement.

Further information:

Brenden Mitchell
CEO & Managing Director
+613 9207 2500

Malcolm Ross
General Counsel & Company Secretary
+613 9207 2500

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', 'believe', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'could', '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. Readers should not place undue reliance on forward looking statements. Except as required by law and ASX Listing Rules, Boom undertakes no obligation to update publicly or otherwise revise any forward looking statement as a result of new information, future events or other factors.

ABN 28 095 466 961

Boom Logistics Limited
Suite B Level 1,
55 Southbank Boulevard
Southbank VIC 3006

T +61 3 9207 2500
F +61 3 9207 2400



Brenden Mitchell
Chief Executive Officer
&
Managing Director

Boom Logistics Limited
ASX: BOL

12 December 2017





Disclaimer

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Thank you for taking the time today to listen and hopefully come to a better understanding of who Boom is, where we have come from, and what we are working to achieve.

I have with me today Tim Rogers CFO and Tony Spassopoulos COO who will be happy to catch up with you later in the day.

Our Company



BOOM
LOGISTICS

Boom Logistics is a national industrial services group that delivers an integrated suite of lifting services providing engineering expertise, skilled operators, specialist equipment and a broad range of labour solutions to Australian industry.

- ASX Listed in 2003
- 1,000 employees Australia wide
- 300 Cranes from – 5t to 750t capacity
- 200 Travel Towers – from 12m to 70m
- EWP's and Support Transport assets

18 depots across Australia



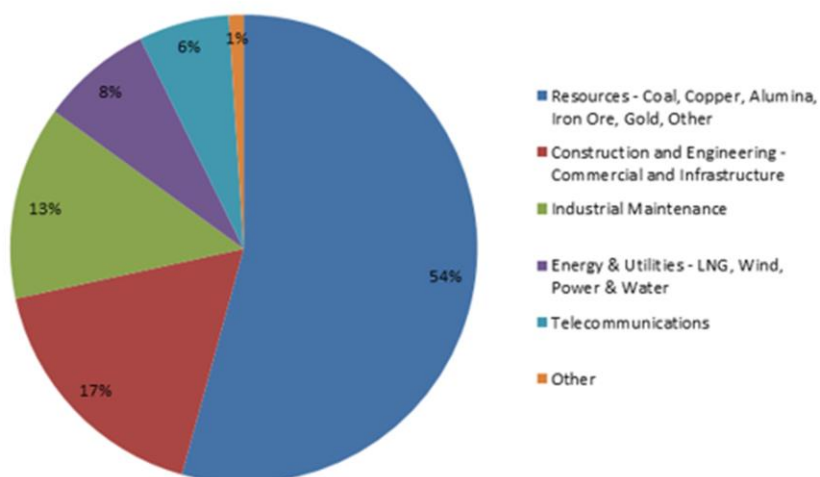
BOOM Logistics is ISO 9001
and AS/NZS 4801 accredited



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Revenue by Market Segment FY17



Our focus has been on customers in the mining and resources, energy, utilities and infrastructure sectors and our value proposition has centered on supplying high value lifting and labour solutions; safely and without injury.

As at the end of FY17 54% of our revenue was in the mining and resources sector with construction/infrastructure and industrial maintenance being our next largest market segments at 17% and 13% respectively.

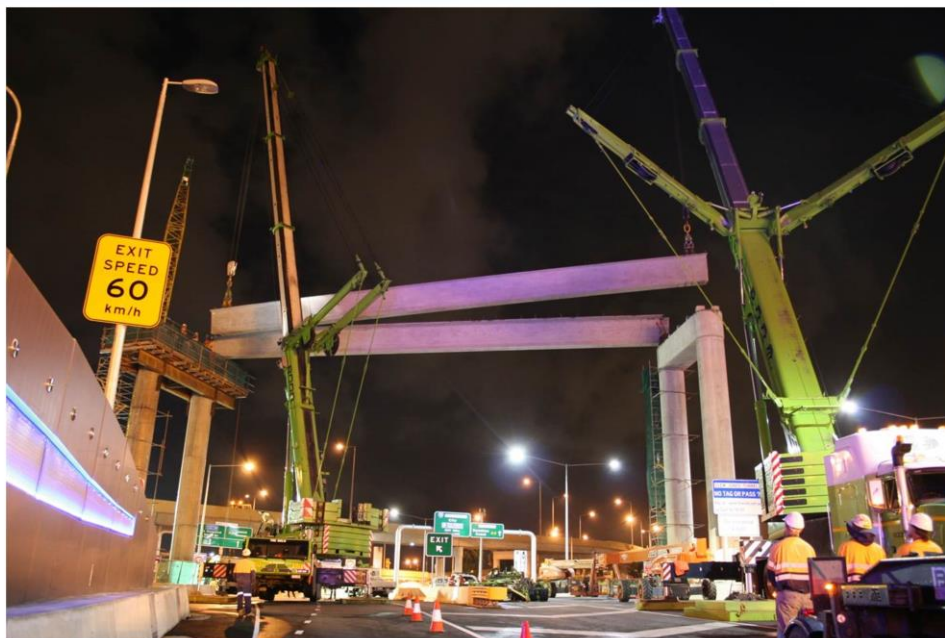
Given I may be talking with some of you who do not have an understanding of Boom Logistics and what we actually do a few pictures of activities we undertake may give you more flavour of what we do.

What we do... Wind Farm Construction & Maintenance



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What we do... Mining Maintenance & Shutdowns



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What we do... Travel Towers



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Share Price History



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BOL Share Price
(4 December 2014 to 4 December 2017)



Market Cap: \$99.7m (04/12/17)

NTA per share: \$0.31 (30/06/17)

Source: Nasdaq

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As I have already highlighted Boom has strong exposure to the mining sector and as a lifting and services company we were hit hard by the commodities price crash in the 2013 financial year when 68% of our revenues came from this sector.

As you can see our share price has consistently traded below our net tangible asset value reflecting the poor operational performance and only in recent times has the share price started to recover.

During the last financial year we saw a positive change in overall operating conditions from the first half to the second half of the year. This being a reflection of the work done thus far by Boom to transform the business, win market share and of the market cycle turning.

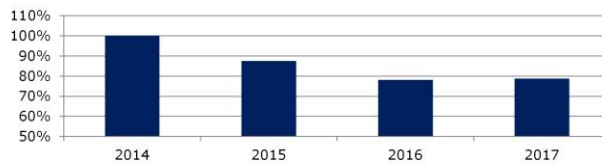
Before I talk to the improvements we are seeing realised in our business this financial year, it is important to understand the factors that have impacted our business directly since the commodity price crash. That is, what occurred, what we have done to ensure business survival, and the opportunities now before us as the cycle turns.

Background 2013 - 2017



- Demand for our services in the Resources sector dropped by up to 30% as customers adjusted their maintenance programs.
- A large number of capital projects came to an end, leading to more cranes being available for the maintenance services sector where Boom had strong market share.
- An oversupply of cranes ensued, impacting prices for both services and second hand equipment.
- Prices paid for our services reduced by circa 25%.

Price Movement Since 2014



- Enterprise agreements set in the high commodity price era had yearly escalation rates of circa 4% until the end of those agreements. Rates then remain the same until new enterprise agreements are renegotiated.

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Over the last four years the business experienced market conditions and customer responses that led to dramatic changes in our industry.

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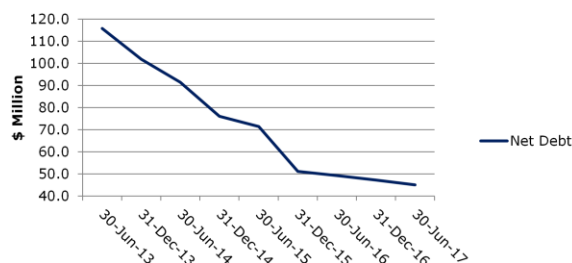
Response to challenges



BOOM
LOGISTICS

- Closed unprofitable depots;
- Sold surplus assets;
- Reduced debt to under \$50 million from over \$100 million; and

Net Debt



- Transformed the business to be more flexible and able to respond to the volatility of the market and the changing demands of our customers by:
 - Introducing new flexible EBA's;
 - Starting our own labour hire business, **readi**, enabling us to be more competitive and expand the services offered to our customers; and
 - Reducing branch and national overheads.

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Faced with these challenges we responded by:

- Closing unprofitable depots;
- Selling surplus assets;
- Reducing debt to under \$50 million from over \$100 million; and
- Transforming the business to be more flexible and able to respond to the volatility of the market and the changing demands of our customers.
- The transformation of the business included:
 - introducing new flexible EBA's;
 - starting our own labour hire business, **readi**, to allow us to be more competitive and expand the services offered to our customers; and
 - reducing branch and national overheads.

- Ensuring we deliver better outcomes from our current revenue base which includes:
 - reducing our cost to serve customers;
 - partnering with our customers to better plan and so increase efficiency; and
 - improving our contracting arrangements.
- Building new revenue streams around existing overhead structures with our lower cost model by:
 - winning additional contracts near our existing depots – to maximise margin drop through to the bottom line;
 - increasing our revenue share at each customer site by winning work with other contractors working on our customer sites; and
 - building our Telco and Power company revenues to improve our Travel Tower business.
- Winning revenue and projects in new markets and supplying more services. For example:
 - expanding into infrastructure projects; and
 - supplying labour and other services to our customers for shutdowns.
- Leveraging our systems and developing our people's skills to deliver on the key revenue and profit improvement elements above.

We have become a competitive business in a position to deliver improved returns to our shareholders due to the execution of our strategy.

The key elements of that strategy being:

1. ensuring we deliver better outcomes from our current revenue base by reducing our cost to serve customers.
2. Building new revenue streams around existing overhead structures with our lower cost model.
3. Winning new revenue and projects in new markets and supplying more services including expanding into infrastructure projects and supplying labour and other services to our customers for shutdowns.
4. Leveraging our systems and developing our people's skills to deliver on the key revenue and profit improvement elements above.

Incremental revenue FY17 v FY18

- Additional coal mine sites in Queensland.
- Olympic Dam smelter shutdown.
- Labour and services contract for a key oil and gas customer.
- Kiata and Yaloak Wind Farms to be completed in H1 FY18.
- Mt Gellibrand Wind Farm commenced in H1 of FY18, to be completed in the second half of the financial year.
- Maintenance contracts extended with price increases.

Total - circa \$29m

- Reduction in revenue from significant contracts and projects that will not repeat in FY18, - circa \$10m.

Our strategy is now seen to be having an impact and as outlined in our Annual Report Boom has won considerable work in the wind farm sector and in mining services that will support continued profit improvement in the core crane logistics hire business.

Incremental revenue over last financial year FY18 will come from

- Additional coal mine maintenance contracts won
- The Olympic Dam smelter SCM17 shutdown
- A labour services contract won for a key oil and gas customer
- The Kiata and Yaloak and Mt Gellibrand Wind Farms that will be constructed this financial year
- Maintenance contracts extended with price increase on services

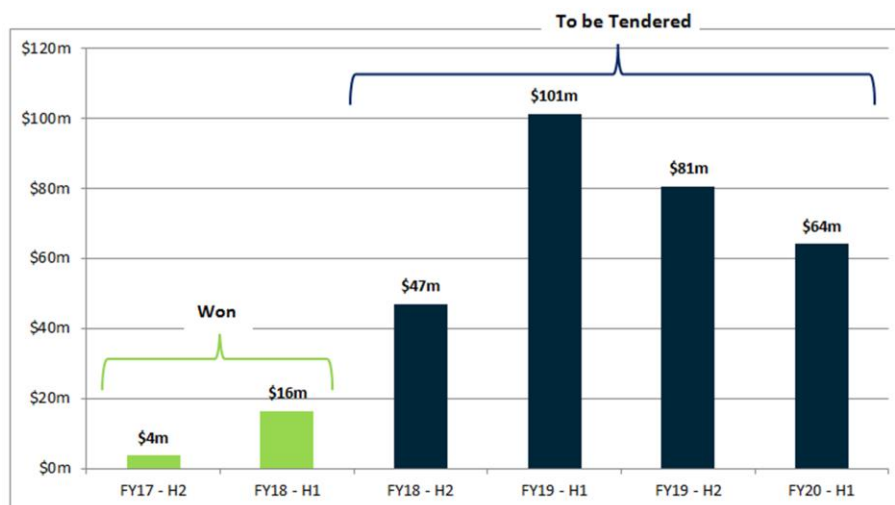
Total – of circa \$29m

This compares with a reduction in revenue from contracts and projects that will not repeat in FY18 of circa \$10m





Crane Wind Farm Revenue Opportunities (circa \$300m)

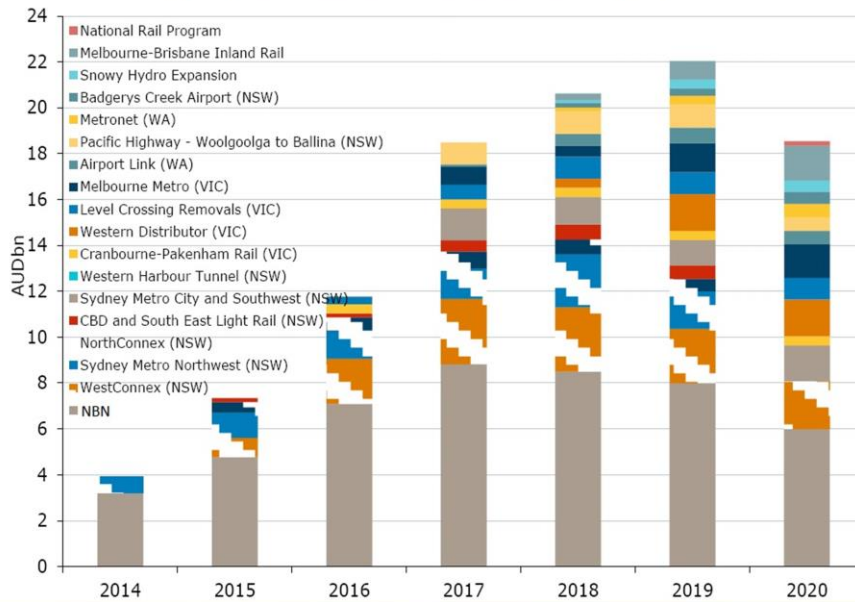


Important to earnings is the wind farm market. As we build our largest wind farm construction project this year at Mt Gellibrand in Victoria, it is pleasing to see the number of wind farm crane revenue opportunities for FY19 and FY20 looking strong and in the order of \$300 million in value.



Infrastructure Projects

Major public backed infrastructure projects



This, coupled with the increasing of infrastructure spend in NSW, Victoria and the south west of WA, indicates there is a confidence the business cycle is on the turn.

For Boom there is also improvement in the mining and resources sector, where we have won new contracts on the East Coast and at Olympic Dam SA where the Smelter Campaign Maintenance 17 program is currently underway with completion expected in December.

We are also well placed with the resources sector that has seen improved production forecasts that require maintenance programs consistent with production volume.



I would also like to talk about our labour hire business, readi.

readi

Revenue \$8.5 million

- Trading EBIT of \$0.5 million
- Has also contributed substantially to improved margins within the crane hire business. Greater than \$1.4 million EBIT benefit on an annualised basis.
- Customers in the mining services, construction and general maintenance sectors.
- Leading safety and induction systems and have been through the learning process and customer requirements with Boom Logistics as key customer.
- Now targeting external revenue on the basis of solid performance in high risk operations.



“readi” is contributing positively in its own right and helping to deliver margin improvement in the Boom business.

We expect continued revenue and earnings growth from this business with revenue this financial year to the end of October 2017 from both internal and external customers sitting at \$8.5 million with positive EBIT of \$0.5 million.

readi was born out of the need to find safe and reliable labour for our crane hire business without the inflexibilities that were inherent in the existing Boom Logistics EBA's.

That is, our EBA's had inflexible start and finish times that did not match our customers requirements in a period of severe commodity price and operational spend decreases.

readi, in supplying people to a business with a strong safety emphasis like Boom, has been able to meet the internal requirements and ensure its systems and processes are in line with customer needs in the industries we serve.

In addition, *readi* is in a position to contribute over \$1.4 million annualised to the crane logistics business over and above its own earnings due to the better labour recovery Boom is able to achieve using *readi*.

I believe that as the *readi* business builds momentum both revenue and margin drop through will increase.

So looking forward we have reason to be confident that our overall business will continue to improve, and this confidence is supported by the revenue and earnings for the first four months of this financial year.



Boom Logistics Limited

Revenue as at the end of October 2017 was \$62 million compared to \$50 million for the prior corresponding period.

- Trading EDITDA for the first four months of this financial year sits at circa \$8.0 million compared to \$4.5 million for the first six months of FY17, \$10.6 million for the full year of FY17 and \$11.2 million for the full year of FY16.
- EBIT at \$2.0 million and NPAT are both positive for the first four months of FY17.
- Trading EBITDA margin has improved to 13%, up from 7.9% in the second half of FY17 and 6.2% in the first half of FY17.

Revenue for the group as at the end of October 2017 was \$62 million compared to \$50 million for the prior corresponding period.

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EBIT at \$2.0 million and NPAT are both positive for the first 4 months of FY17.

Trading EBITDA margin has improved to 13%, up from 7.9% in the second half of FY17 and 6.2% in the first half of FY17.

Our people will continue to work to improve revenue and earnings this financial year. We should, however, recognise that the three months of summer are usually slower than the balance of the year and that some assets currently at Olympic Dam for the major shut works will take time to redeploy and earn revenue in the second half of the year.

How does Operational Leverage work in our business?

An increase in revenue can deliver a significantly greater percentage increase in EBITDA.

Depot Example	\$'m	Volume Increase \$'m
Revenue from Services	10.00	11.00
less: Direct Variable	(5.60)	(6.16)
less: Direct Fixed	(1.40)	(1.40)
Gross Profit	3.00	3.44
<i>GP%</i>	<i>30.0%</i>	<i>31.3%</i>
less: Indirect Expenses	(1.00)	(1.00)
Trading EBITDA	2.00	2.44
<i>Trading EBITDA%</i>	<i>20.0%</i>	<i>22.2%</i>

In this example a 10% increase in revenue delivers a 22% increase in EBITDA.
This improvement comes without improved labour recovery or price increases

*Indirect Expenses exclude National Office Costs

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In understanding our business and its future prospects it is important to understand that our restructured fixed cost base can support significantly more revenue highlighting the operational leverage within the business.

This also influences our decisions on where and how to deploy capital to maximise operational leverage. We will continue to be diligent and place capital where it can deliver maximum EBITDA improvement. We recognise that each extra dollar of revenue achieved using our current infrastructure and overhead delivers a stronger outcome. This is consistent with driving for maximum returns on capital.

This slide illustrates a depot example and shows that an increase of revenue by 10% leads to a significantly greater increase in EBITDA. If this revenue increase is achieved with the same plant and equipment through an increase in utilisation then the EBITDA increase flows directly through to EBIT and significantly increases Return on Capital Employed.

If capital is required the return on the incremental investment is strong however overall capital returns are not as strong as using existing capital.

A key part of our business improvement strategy has been to improve our labour recovery. When this is achieved the return on capital increases significantly because

labour is such a significant proportion of our cost base

Labour recovery is simply how many hours are paid to our employees versus to how many labour hours are paid for by our customers. Improving recovery from 80 to 90 % when labour is 50% of the cost base decreases labour costs by 12.5 %. This if coupled with revenue increases, delivers enormous improvement.

And of course any price increase drops through to the bottom line.

It is fair to say that during the upward part of the cycle for a business like ours utilisation increases and, in time, some positive net price movement should be expected. Whilst the timing of net price movement is harder to predict, and will vary by market and tender timing, it is encouraging to see the first part of the equation, utilisation increasing and that this is being reflected in operating results.

Key Messages



- Our people have industry leading expertise and experience in the lifting sector, the depth of which few businesses can match.
- We are now coming out of the low point in the mining and construction cycle with a transformed business that is flexible and responsive with a healthy balance sheet.
- Boom is building revenue in markets and services where our focus on safety and flexible service delivery is valued and our returns on capital are maximised.
- We are taking advantage of the operational leverage available in the business to significantly improve returns to our shareholders.
- **Our strategy is starting to deliver.**

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The key messages I wish to leave with you today are:

- Our people have industry leading expertise and experience in the lifting sector, the depth of which few businesses can match.
- We are now coming out of the low point in the mining and construction cycle with a transformed business that is flexible and responsive with a healthy balance sheet.
- Boom is building revenue in markets and services where our focus on safety and flexible service delivery is valued and our returns on capital are maximised.
- We are taking advantage of the operational leverage available in the business to significantly improve returns to our shareholders.
- Our strategy is starting to deliver.

Thank You



Investor enquiries:

Brenden Mitchell

Managing Director and Chief Executive Officer

Tim Rogers

Chief Financial Officer

Tony Spassopoulos

Chief Operating Officer

03 9207 2500

info@boomlogistics.com.au

www.boomlogistics.com.au