21 November 2018
ASX code: BOL

Boom Logistics Limited
AGM Address

Chairman's AGM Address

It is my pleasure to address you this morning and welcome Tony Spassopoulos who commenced as Managing Director and Chief Executive Officer in September 2018.

During the financial year ended 30 June 2018, Boom experienced a significant turnaround in its business as a result of many operational changes introduced over the last three years, combined with increased activity in the mining and wind farm sectors. The transformation in Boom's business model has translated into strong revenue growth of 22% for FY18, with overall revenue of $183.1 million. The revenue growth saw EBIT increase to $2.4 million in FY18, a significant improvement on the previous year's loss of $19.5 million.

We are now able to provide a more flexible service offering to our customers and additional growth will capitalise on the operational leverage of the business and ultimately deliver further value accretion to our shareholders.

Critical to the Company's growth was the mining industry recovery which has increased production and, in turn, resulted in higher maintenance requirements and increased demand for our cranes and skilled labour. In addition, Boom carried out construction works on three wind farms during FY18 and this has created a strong pipeline of opportunities for the next two years, with further construction and ongoing wind farm maintenance work. The *readi* labour hire business has played a significant role in supporting the business by delivering labour to support operations, major projects at wind farms and shutdowns for our resources customers.

The Company focused on capital management during the year with Management demonstrating strong fiscal discipline. As a result, the improved operating cash flow of $11.5m enabled Boom to reduce net debt by $7.8 million to $37.3 million and, in turn, provide Boom with more flexibility to fund growth and enable capital management initiatives in 2019.

The Company conducted a minimum holding buy-back for shareholders who held less than a marketable parcel of shares with a value of $500 or less. More than 1,100 shareholders participated in the buy-back and exited the share register on 15 October 2018 with circa one (1) million shares cancelled. We are also exploring further leasing options, rather than purchasing major equipment, to enable growth without affecting our ability to manage returns to shareholders. The Board is mindful that shareholders have been very patient during the restructuring and rebuilding period and the Board has agreed to implement an on-market buy-back of up to 10% of the issued share capital over the next twelve months. Tony will elaborate further on the buy-back in his presentation.

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We are projecting additional growth in the 2019 financial year with new opportunities developing in our key markets. There will be a focus on maximising equipment utilisation and continued growth of the *readi* business into external clients. Both of these initiatives will improve our return on capital and cash flows.

After ten years, as Chief Executive Officer and Managing Director of Boom Logistics, Brenden Mitchell has retired from the position. Brenden guided the Company through a very difficult period and his commitment to transforming the business model and culture, and the building of a dedicated and capable team around him, has been instrumental to the recovery we are witnessing today. On behalf of the Board, I thank him for the loyalty and contribution that he has made.

Tony has served in senior executive positions with Boom for nearly ten years and is well known to the Board. The Board has great confidence that Tony will continue to drive the business forward and realise its full potential.

Finally, I would like to thank my fellow Board members and all of the Boom employees for their contribution to a significant turnaround in the Boom business in 2018.

Maxwell J Findlay
Chairman

<u>Managing Directors AGM Address</u>

Thank you Max and good morning ladies and gentlemen.

Firstly, my sincere thank-you to Mr Brenden Mitchell who is retiring in February 2019 and was the Managing Director and CEO at Boom Logistics for the past 10 years. Some of those years were challenging - starting with the GFC in 2008 and followed by the mining/resources downturn, which impacted the company results over these periods. Brenden stabilised the business during these difficult times.

Boom is now better positioned to improve shareholder value with a solid balance sheet and debt levels at 30 June 2018 below $40 million, and gearing at 26%. We now have a strong safety culture, flexible capital and labour arrangements and established our readi labour hire business for future growth.

I am pleased to report we have completed just on two years and 2.8 million hours worked, without a Lost Time Injury (LTI) and our Total Recordable Injury Rate (TRIFR) is below 10 for the second year. The commitment to safety is always our priority as we continue our journey towards zero harm.

At Boom, our purpose is to profitably grow our business through innovative customer lifting solutions (utilising our cranes and travel towers) and specialised labour hire services in the markets we serve.

Our core business has traditionally been in the mining and resources sector. We expect this to continue to improve and forecast strong growth from the renewable, telecommunication and infrastructure sectors over the next two years.

As we review and refine our strategy, our goal is to continue to lead the industry on safety performance. We also look to introduce new value added solutions such as engineering services, extend into maintenance programs and provide specialised skilled labour hire to our customers.

Before addressing our results to date in FY19, it is important to update you on the changes to our management structure and the industrial relations matters in NSW.

At Boom, we have an experienced leadership group and I would like to introduce the team to you, as many of them are here today.

- Tony Raby - General Manager of Queensland and NSW business
- Brenton Salleh - General Manager of Victoria, South Australia and Western Australia crane business
- Michael Spedding - General Manager of metropolitan Travel Tower business
- Shane Stafford - General Manager of our readi business
- Rob Wright is General Manager of Safety & Quality
- Malcolm Ross is our Company Secretary and General Counsel
- Tim Rogers is the Group CFO

Our focus, as a leadership team, is on – "Customers First, Safety Always, Developing our People, Profit Growth and Return on Capital".

The last six weeks have been challenging, especially for our customers and management team in NSW, working through the industrial dispute and negotiating new Enterprise Agreements with the CFMMEU.

We have negotiated a solution and the dispute has now been resolved. We have agreed to stand alone labour agreements at Port Kembla, Singleton and Newcastle depots, which expire in October 2019.

It's now time to rebuild and work with our customers in the region, to prove again that we are the leading lifting solutions company, providing safe, technical and value-added services.

To recover the labour cost increases in NSW, general market prices are set to rise between 10% and 20%. We are increasing our "casual rates" immediately and negotiations have commenced with our major customers.

We will be restructuring and downsizing our Newcastle crane depot, as it will no longer be economically viable in its existing form. We will relocate assets to other regions to support new growth opportunities and release some assets for sale. The impact of the restructure at the Newcastle depot will not be material on the Group's FY19 results.

In regards to other Enterprise Agreements across Australia, early this year we re-negotiated the WA agreement which expires in December 2020 and the QLD agreement runs until June 2021. Our readi labour agreement expires in 2020 and the majority of our travel tower agreements go to 2021. The Victorian Pattern Agreement is to be renewed by 30 June 2019.

The financial impact from the NSW industrial dispute, including redundancies and cost of relocating assets will be circa $3.0 million on EBITDA – as was announced on the 2nd November 2018.

It was a strong start to this financial year with revenue at the end of October at $64 million compared to $62 million last year. The revenue year-on-year is a solid improvement, considering the industrial dispute in NSW and the Olympic Dam major shutdown in October last year contributed circa $4 million revenue.

- Trading EDITDA in the first four months is circa $7.5 million
- Trading EBIT of circa $2.3 million is marginally ahead of last year

The negative impact of the NSW strike was circa $1.5 million EBIT in the period to October. In addition, we have also been affected by Alcoa's internal industrial issues in WA, that impacted our EBIT result by circa $0.5 million in the first four months.

As we look forward to the next eight months of FY19, our revenue growth is supported by increasing mining maintenance across the business. Our windfarm business is on track to achieve $30 million revenue on construction and maintenance programs for this financial year. With a solid pipeline in infrastructure and construction projects and the 5G Telco rollout, we are on target in achieving the revenue growth forecast for this period.

As utilisations continue to improve and as crane availability tightens, general price rises in the market are projected. We will increase our "book rates" in December 2018 and negotiations with major customers will occur as existing contracts are renewed.

Our cost base can continue to support new revenue near our existing depot infrastructure. This will influence our decisions on where to deploy assets in order to maximise operational leverage. We will continue to be diligent and place assets where they can deliver maximum return on capital.

The impact of the NSW industrial relations dispute is expected to have a material impact on the profitability for the Group. Accordingly, EBITDA is forecast to be circa $27 million for the full year, which is 30% above FY18.

Going forward, our strategy is to drive organic growth in markets we currently operate in. We will continue to focus on our core crane and travel tower solutions, and add additional packages and services for our customers.

We have solid contracts with major customers in the mining and resources sector and will continue to build new revenue streams around our current depot structure. We are expanding and tendering on supplying new services to our existing customers, such as engineering services, maintenance programs and specialised labour skills in addition to our core lifting solutions. Our approach is to cross-sell Boom and readi to increase our revenues with each major customer and contractors on site.

In the windfarm sector, we have been successful with our “bundled services” model. Originally Boom was only contracted to supply cranes and rigging. Now, we provide a total service to our customers, including engineering, mechanical fitout, electricals and the crane package.

To-date there is $20 million of wind farm projects secured, which includes Coopers Gap in Queensland. We are in final negotiations to commence a new wind farm in February 2019 valued at circa $12 million revenue. Our sales pipeline is strong with circa $390 million over the next two years.

We have a new management structure and specialised sales team in place for our Travel Towers focusing on the Energy, Renewable and 5G Telco opportunities. There is capacity to improve utilisation in these sectors and increase market share at our metropolitan depots. We have recently extended our panel agreements with Nokia, Ericsson, Kordia and Visionstream. The Telecommunication pipeline is solid over the next two years.

There is a strong pipeline over the next three years in infrastructure and mining construction projects. Customers are expressing a preference to hire equipment rather than incur capital expenditure, which was often the case in previous cycles.

We will promote our model of dry hire cranes plus readi labour hire services to the infrastructure and mining construction sectors. The approach to these projects is to supply assets on a back to back rental agreement for the term of the contract. When the project is completed the asset can be relocated to a new project or returned, increasing Boom’s flexibility to respond to changing economic conditions.

readi achieved $22 million revenue in FY18 with $20 million from internal Boom customers. We have a revenue growth target of 50% in FY19. The next phase is to grow external revenue using the Boom customer network and providing specialised skilled labour services to the mining and infrastructure sectors.

As capacity tightens in the labour market we see an increased opportunity for readi to supply our customers with specialised and contract labour. Building these relationships with our customers will provide an important non-capital intensive revenue stream for the Group.

We have introduced a new customer planning and booking system across Australia, providing a real-time order to invoice system. We are now moving to live data capture with every job, as we are installing tablet style technology to all assets. This will enable us to provide information to our customers in real-time, such as safety pre-start checks, job status reports and completion of works.

This is the first stage of our Digital Transformation plan, as we move from a paper based environment to an electronic management system introducing new technologies to streamline our processes.

We will continue to invest in our people and have commenced a leadership training program for our supervisors and managers over the next 12 months.

We also need to look to the future and build the next talent pool of employees. We will be developing a cadet program to attract the "leaders of tomorrow" who can grow in the business and progress a career path in our industry.

Another initiative over the next year, is to introduce a "youth and apprenticeship" training program for riggers and operators. The program will include mentoring and on the job training by our experienced operators, who will develop the next generation of employees to Boom standards and values.

I am committed to developing our employees as they are integral to our future and the success of our company.

Our approach to capital management is to constantly review the utilisation and profitability of our assets. Under-performing assets will continue to be relocated to regions where demand is higher and greater returns can be achieved, or to be sold.

As we restructure in NSW, a number of older assets will be released for sale with an estimated value of $3 million.

Recently, we introduced a flexible capital model where larger assets required for specific projects will be acquired on a rental basis. We will continue to review our mix of capital expenditure versus rental on specific customer contracts, in order to generate the best returns for shareholders and to ensure that the balance sheet remains appropriately geared.

The metropolitan travel tower market is transactional with different customer propositions and utilisation profiles. In early 2019 we will undertake a strategic review of the small travel tower assets and will assess the operating model and financial returns.

We are committed to efficient capital allocation and will assign capital to higher returning growth opportunities. We will continue to be diligent in capital expenditure and focussed on delivering shareholder returns.

Recently we conducted a minimum holding buy back from shareholders with less than $500 in value. We purchased and cancelled circa 1.1 million shares which represented 23% of shareholders on the register through this program.

We are now in a position to commence a broader on market share buy back of up to 10% of Boom shares over the next 12 months. The buy back will be funded from operating cash flows as they become available.

I would like to take this opportunity to thank all our customers, suppliers, debt providers and shareholders who have supported us in the past year.

Also, I would like to acknowledge and thank our employees for their contribution and commitment to Boom's success. We have loyal and passionate people in our company and I am proud to lead a team who are dedicated to safety and our customer's success.

Finally, I would like to thank the Board for their support and the opportunity to grow this business in the future. Stepping into the role and leading Boom is a great privilege. We have an exciting future to look forward to, as we move into the new business cycle.

Thank-you

Tony Spassopoulos
Managing Director

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