21 February 2019
ASX code: BOL

Boom Logistics Limited
Half Year Result – 31 December 2018

- Revenue at $92.5 million (H1 FY18: $92.4 million)
- Trading EBITDA at $12.0 million (H1 FY18: $11.3 million)[1]
- EBIT at $2.1 million (H1 FY18: $2.4 million)
- Net profit after tax of $0.2 million (H1 FY18: $0.4 million)
- Cash Flow from Operations of $12.1 million (H1 FY18: $2.5 million)
- Net Debt reduced by $2.7 million to $34.6 million (30 June 2018: $37.3 million)
- 11.2 million shares (2.3% of share capital) bought back in period

Boom Logistics Limited ("Boom" or "the Group") recorded a statutory net profit after tax for the half year ended 31 December 2018 ("H1 FY19") of $0.2 million (H1 FY18: $0.4 million).

Earnings Before Interest and Tax (EBIT) for H1 FY19 was $2.1 million, which was significantly effected by the industrial action in New South Wales. Boom was on track to achieve its first half EBIT targets prior to the industrial dispute which impacted the half year results by circa $3.0 million at EBIT, including $0.3 million of non-trading redundancy costs.

Growth in Key Markets

Boom continues to execute its strategy and grow profitable revenue in its key markets. The Group is also pleased to announce it continues to achieve a lost time injury frequency rate of zero and has completed over three million hours without a lost time injury.

Mining & Resources – the Group performed solidly in Mining & Resources as demand from customers remains robust with key contracts at BMA, BMC, Curragh and Alcoa being renewed in the period. Revenue in the prior comparative period included circa $10.0 million from a major shutdown completed at Olympic Dam which did not repeat. Further growth in Mining & Resources is expected as Boom continues to build scale and scope around its existing depot infrastructure and explores opportunities for new contracts in the North West.

[1] Trading EBITDA is a non-IFRS financial measure that excludes non-trading expenses of $1.0 million (including $0.3m of redundancy expenses and $0.7m provision for retirement payment to former CEO), a profit on sale of assets of $0.4 million and impairment to a damaged crane of $1.0m. FY18 H1 Trading EBITDA excluded non-trading legal expenses of $0.2 million and a profit on sale of assets of $0.2 million.

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Wind, Energy & Utilities – revenue from the wind farm sector was strong in the period and continues to grow. Boom completed a number of projects including maintenance works and supplied additional equipment to other wind farms to accelerate construction programs. This work drove a 67% increase in revenue in this market sector on prior comparative period.

Boom secured important contracts in the sector with work commencing on the GE Coopers Gap project in November 2018 and work on the Goldwind Cattle Hill project to commence in February 2019.

"We are very pleased to win these contracts which are important contributors to delivering our target of $30 million of wind farm revenue in FY19," said Tony Spassopoulos, CEO of Boom Logistics.

The wind farm construction pipeline is strong with circa $390 million of opportunity in this sector over the next two years.

Infrastructure & Construction – Boom's growing capacity in this sector delivered 19% revenue growth on prior comparative period. The Group has a fleet of assets particularly suited to bridge, rail and civil infrastructure works with further opportunities to supply readi labour to major projects. The infrastructure and construction sector is a major growth opportunity for readi to grow new external revenues for the Group.

Telecommunications – revenue from the telecommunications sector increased 43% as work on the 5G network built momentum over the period and is expected to remain strong for the remainder of FY19 and FY20. The larger Travel Towers are utilised in this sector and performance is improving under our new management structure. A strategic review of the small Travel Towers is underway as utilisation of these assets remains below expectations and some assets will be released for sale.

Cash Flow and Financial Position

Cash flow from operations was strong in the period, generating inflows of $12.1 million (H1 FY18: $2.5 million). Working capital management was tight with timing of cash flows from projects helping to deliver strong cash conversion.

As in prior years, the Group expects to make a tax prepayment of $4.5 million prior to June 2019 which will be a cash outflow in the second half.

Boom invested $8.7 million in capital equipment in the period. The majority of this investment was in cranes to service resources contracts and transport assets to support the new rented equipment delivered for major projects. Asset sales were $1.3 million for the period, as older assets were released for sale.

Boom continues to introduce new operating fleet through flexible rental arrangements. During the period Boom has brought in a number of assets under these arrangements to deliver major projects, including an LG 750 tonne wind farm construction crane with support assets to deliver the GE Coopers Gap contract in Queensland. The arrangements provide Boom flexibility to match customer requirements with operating fleet and retain free cash.

Free cash generation enabled Boom to commence capital management initiatives with the completion of a minimum holding share buy back and the commencement of an on-market buy back. A total of 11.2 million shares were acquired during the period at a cost of circa $1.9 million with the Group expecting to continue the on-market buy back in H2 FY19.

During the period the Group has invested in new operating fleet, commenced capital management initiatives and has been able to further strengthen the balance sheet with a reduction in net debt of $2.7 million in the period to $34.6 million.

Debt Refinance Completed Post Period End

The Group is pleased to have extended its finance facilities with its existing lenders, effective from 29 January 2019. The new finance package provides additional flexibility with an extended term, for the syndicated bank facility and trade receivables loan facility to January 2022, an increased debt capacity to support growth and reduced funding costs.

Outlook

Boom will deliver revenue and profit growth in its core markets in H2 FY19. The revenue from projects will be a key contributor in the second half as the two major wind farm construction projects, at Coopers Gap and Cattle Hill will run concurrently.

The Heavy Lift division based at Port Kembla has successfully resumed activity post the NSW industrial dispute and continues to build revenue in the infrastructure and wind farm project markets.

The industrial dispute has led to some customers in the Hunter region opting to move to multiple supplier arrangements. Boom is pursuing new mine sites in the region that are also considering multiple crane suppliers. Whilst the majority of customers in Singleton have accepted revised rates, the Group is retendering with customers in Newcastle. Boom is planning to merge the Newcastle and Singleton crane operations to service all customers in the Hunter region.

Our WA and Queensland businesses have a solid pipeline with new revenue growth opportunities in Mining & Resources being tendered.

The continued focus on utilisation improvement and relocation of assets to growth areas to support new contracts is being actioned. The emphasis on labour recovery and reduction in overhead costs are the major areas being addressed going forward.

The Group expects FY19 revenue to be circa $200 million and trading EBITDA to be between $25 million and $27 million.

Further information:

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