Boom Logistics Limited FY20 results

- Revenue $185.5 million, up 1.5%
- Statutory EBITDA $23.8 million
- Operating cash flow $28.8 million
- Net debt down 46% to $19.6 million (pre-AASB16 basis)
- Diversification of revenue base continues

27 August 2020: Boom Logistics Limited (ASX:BOL) today announced a net loss after tax of $17.0 million for the year ended 30 June 2020, compared with a net loss of $5.3 million in FY19. The main reasons for the loss were:

- COVID-19 related delays to projects and shutdown maintenance,
- One-off $4.45 million franking deficit tax expense,
- Non-cash $1.9 million impairment on the planned sale of smaller obsolete travel towers,
- $7.5 million loss on a Tasmanian wind farm project, including a provision for unresolved contractual claims.

As first advised in November 2019, the Tasmanian wind farm project, which was completed in March 2020, was seriously affected by delays, extreme weather conditions and a reduced scope of work. Strengthened risk management procedures and contract review processes have been implemented.

Revenue for the year increased to $185.5 million (FY19: $182.7 million). There was solid revenue growth from wind farm construction and maintenance projects and increasing work on power projects. Revenue from the resources sector remained steady. The telecommunications sector was solid with 5G rollout, network upgrades and maintenance during the year for the company's travel towers. Infrastructure and construction revenue was lower due to deployment of assets to wind, energy and utility projects which then were delayed due to the pandemic, which also affected industrial maintenance revenue in the fourth quarter.

Statutory earnings before interest, tax, depreciation and amortisation (EBITDA) were $23.8 million (FY20 on a pre-AASB16, like-for-like basis: $7.7 million; FY19: $15.7 million). Statutory earnings before interest and tax (EBIT) were a loss of $8.1 million (FY20 on a pre-AASB16, like-for-like basis: loss of $9.0 million; FY19: loss of $1.6 million).

The company's adoption of a flexible asset rental model has protected the balance sheet and enabled a reduction in debt. Operating cash flow increased to $28.8 million (FY20 on a pre-AASB16, like-for-like basis: $16.4 million; FY19: $13.2 million) and net debt on a pre-AASB16 basis fell to $19.6 million from $36.6 million at 30 June 2019. Net tangible assets per share at 30 June 2020 were 27 cents.

In February 2020, the board resolved to pay an unfranked interim dividend of 0.5 cents per share, Boom's first interim dividend for more than a decade. Subsequently, due to the impact of the COVID-19 pandemic, payment was deferred until 2 October 2020 as the company increased its focus on cash preservation and debt reduction. Consideration of any further capital management initiatives has been postponed until the economic outlook is clearer.

Tony Spassopoulos, Boom Logistics managing director, said: "While this result was disappointing, we made progress towards a number of strategic goals. With a strong balance sheet and cash flow and increasing diversification into growth sectors and regions, Boom is positioned to grow profitably in the future.

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"During the year, we continued to diversify our revenue base into infrastructure, wind energy, utilities, telecommunications and labour hire. These sectors combined contributed 53% of revenue, with longer-term contracts in the mining services sector contributing the balance.

"At the heart of everything we do is the safety of our customers and employees throughout our operations. Our Total Recordable Injury Frequency Rate decreased to 8.0 from 8.6 the previous year and the number of safety observations increased by 65% year-on-year. We undertook a safety 'reset' during the year to reinforce the safety priority and behaviours which will drive the company towards our zero-harm goal."

Results summary for year to	**30 June 20**		**30 June 19**
	Statutory	**Pre AASB16 like for like adjusted***	**Pre AASB16**
Revenue ($m)	185.5	186.2	182.7
Trading EBITDA ($m)	29.4	13.3	20.1
Statutory EBITDA ($m)	23.8	7.7	15.7
Net loss after tax ($m)	**(17.0)**	**(16.5)**	**(5.3)**

*Increased use of an asset rental model and implementation of the AASB16 leases accounting standard significantly affect comparison with prior year results. Operating leases have been brought onto the balance sheet for the first time. Assets and liabilities for all leases with a term of more than 12 months have been measured, and a lease liability and a corresponding right-of-use asset included. Further details are available in the company's financial report lodged today on the ASX.

Operational Report

	FY20 revenue $m	**FY19 revenue $m**
Crane Services	**94.4**	95.6
Labour Hire	**26.3**	27.1
Travel Towers	**26.8**	24.9
Boom Projects	**38.0**	35.1

Crane Services

Central Queensland continued to provide a solid foundation for the Crane Services business, which is leveraging its reputation in the region to secure additional work at the mine sites of major clients including BMA, Coronado, Glencore and Anglo. In FY21 we are re-establishing operations in the Moranbah region.

In New South Wales, the Glencore contract, including Bulga in the Hunter Valley and Hail Creek in Queensland, was renewed, and in the second half new work commenced to supply services to another major miner in the Hunter Valley.

In South Australia, the business is expanding its service offering to its customer at Olympic Dam where another major shutdown is being planned. This has involved moving a new fleet of assets to its on-site facility and releasing the existing assets to service other regions.

In Western Australia, operations were restructured in the first half, adding a new general manager and sales team, and revenue increased in the second half through a new maintenance contract and project work in the south-west. Due to COVID-19, establishment of a new Port Hedland depot to cover the north-west was delayed, and operations are expected to start in the first quarter of FY21.

readi

COVID-19 was a challenge for the *readi* labour hire business and impacted revenue and business development opportunities in the second half. Social distancing reduced crew numbers permitted by industrial maintenance and oil and gas customers, and the labour market tightened as mine shutdowns were scaled back and projects delayed. *readi* will continue to provide opportunities to diversify Boom's revenue and customer base. *readi* has stayed connected with its workforce through the pandemic and this is expected to enable *readi* to ramp up its services when the crisis subsides.

Travel Towers

The Travel Towers business benefitted from its restructuring at the end of FY19 and from focusing on larger travel towers, with higher margins, cost savings and increased asset utilisation. Further rationalisation has occurred with the closure of the underperforming Newcastle depot from 1 July 2020.

Growth is expected to continue in the telecommunications and power utility sectors, with potential for more high voltage line stringing and interconnector work over the next five years due to increases in renewable energy projects and upgrades to the electricity grid.

Boom Projects

Boom's participation in wind farm, bridge installation, infrastructure and construction projects – all high growth markets – continues to grow.

The Coopers Gap, Queensland wind farm project progressed well, with additional work awarded through to May 2020. The loss on the Cattle Hill project in Tasmania, mentioned above, has strengthened the business' approach to contracting and pricing future construction projects, with further due diligence added to the contract review process. The business has solid bookings for wind farm projects in the first half of FY21, based on an equipment hire and labour rate model for service performed.

The business is targeting large infrastructure work in capital cities, such as rail works and level crossing removals in Melbourne, as well as major bridge and tunnel boring projects. The fleet's larger cranes also assist with wind farm maintenance work which is increasing across the sector. Work on the Snowy 2.0 project, which commenced in August 2020, will benefit the business in FY21.

COVID-19 impact

Operations were disrupted by COVID-19, with border closures affecting travel between regions, temporary delays in infrastructure and wind farm projects, and mining maintenance work. In view of current developments, the company is monitoring the situation actively.

Boom responded rapidly to the emerging pandemic in line with advice from the Government and World Health Organisation. This included working closely with customers to ensure all health requirements were met, while developing an action plan to keep people safe and manage impacts on the business.

The company was early to implement travel restrictions in March and introduce stricter cleaning processes. This required sourcing cleaning and sanitation products, establishing social distancing protocols and introducing thermal scanning devices to conduct temperature checks at depots.

A number of decisions were made to preserve cash, introducing additional cost controls to minimise expenditure. Major suppliers were approached to extend credit terms and employees were directed to take leave during the fourth quarter.

Outlook

Tony Spassopoulos said: "While uncertainties remain regarding the impact of the pandemic on our operations, we have laid the foundations for Boom's future growth, underpinned by low debt and strong cash flow.

"We are well placed to take advantage of new revenue opportunities, such as expanding services in mining maintenance and entering new growth regions including Western Australia's north-west. There is considerable potential for our Travel Towers business to assist with power infrastructure and telecommunications work and to secure recurring revenue from the wind farm sector.

"We are confident our focus on diversification, recurring revenue streams and targeted growth markets, together with our prudent capital management strategy, will lead to improved returns for our shareholders."

This announcement is authorised by the Board.

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