26 November 2021

ASX code: BOL

Boom Logistics Limited

AGM Address

CHAIRMAN'S ADDRESS

Good morning, welcome to Boom Logistics' annual general meeting.

It is a pleasure to address you today. This meeting has a special significance for me as it will be my final annual general meeting as chairman. I'd like to reflect briefly on the company's journey over the last five years.

Soon after I joined the Board in 2016 the company reported a loss of $30 million. This followed a period of difficult trading conditions and persistent pressure on margins.

Our strategic aim has been to position the business to succeed in the changing business environment. We have focused on our value proposition for customers, diversifying our business and building profitable revenue streams.

The business has been structured for growth, targeting work with acceptable margins and investing in assets to take advantage of new business opportunities.

The journey has been challenging, but it has also been rewarding.

For the 2021 financial year we reported a net profit of $1.2 million, which was the first net profit since 2012. That was despite the travel disruptions and potential health risks created by the pandemic and border closures and labour shortages which affected our customers, delaying projects and maintenance activity.

While these constraints led to lower revenue of $173.3 million, down 6.6% on the previous year, we benefited from a leaner cost base and improved profit performance. We have strengthened and refreshed our asset base, selling underutilised cranes and travel towers and reducing maintenance costs.

Earnings before interest, tax, depreciation and amortisation improved to $36.3 million, an increase of 53%. EBIT also improved significantly to $4.5 million after a loss in the previous year.

We continued to generate strong cash flows. Operating cash flow before tax was $25.9 million, up from $24.3 million. Return on capital employed improved to 2.5% compared to -1.4% in the previous year. Further improvement is anticipated this year as newly acquired assets are deployed on projects and start to generate returns.

ABN 28 095 466 961

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

T +61 3 9207 2500
E info@boomlogistics.com.au

Over several years we have used strong cash flow to pay down debt, which stood at circa $50 million in 2016. We now have a solid balance sheet and have determined to invest in growth to take advantage of new business opportunities.

The Board has decided that gearing in the range of 20% - 35% is optimal, allowing us to maximise shareholder value while prudently allocating capital. After purchasing and leasing assets to support new business, gearing is within this range and at 30 June 2021 was 26%.

The group has substantial business opportunities in sectors which are benefiting from strong export growth, dynamic technology transformation and federal government spending to stimulate the economy. We are confident that our business is on the right track.

I am pleased to report that we announced a final dividend of 1 cent per share, unfranked, which followed an interim dividend of 0.5 cents, unfranked. This compares with an interim dividend of 0.5 cents paid in the 2020 financial year which was the first dividend paid in more than a decade.

We will continue to work hard to combine our ambitions to maximise returns for shareholders while exploiting growth opportunities.

Turning to our business, we are focused on growing sectors where we can demonstrate the value of our operations. The mining sector is one of Australia's largest with an industry share of more than 11%[1]. It is a driver for economies around the world.

We support this industry through lifting solutions, project management on mine sites and specialised shutdown maintenance services which ensure our customers' businesses operate efficiently.

The renewables industry is another fast-growing industry which now provides 27% of Australia's electricity[2]. We have developed a profitable business that installs, engineers and maintains wind farms, which in total now supply about 10% of Australia's energy generation.

We are also focused on energy, as our services to support power transmission are well positioned to secure new growth.

The Australian government is investing more than $100 billion over 10 years on infrastructure and we have been successful in securing work on projects such as Snowy 2.0. We also have a strong base in telecommunications where we service 5G network deployment and data network upgrades.

These are all large, sustainable markets which offer scope for the continued growth of our business.

I would now like to turn to the composition of our Board, which continues to benefit from a broad skill set. Our Board is undergoing significant change and rejuvenation while maintaining continuity.

---

[1] Reserve Bank, https://www.rba.gov.au/education/resources/snapshots/economy-composition-snapshot/

[2] Clean Energy Council, https://assets.cleanenergycouncil.org.au/documents/resources/reports/clean-energy-australia/clean-energy-australia-report-2021.pdf

In 2020, we welcomed Stephen Grove, who has extensive knowledge of the plant hire sector and earlier this year appointed Kieran Pryke, who brings significant financial and property experience.

It is a pleasure to acknowledge Jack Hebiton who was the chief executive officer of Boom Logistics at its formation. He retires at today's AGM after a contribution over more than 20 years.

We engaged the services of a leading global leadership and talent firm, Egon Zhender, to search and appoint two new non-executive directors to replace Jack and myself. This week, we announced the appointments of James Scott and Damian Banks to the Board, commencing Monday 29 November 2021, who will expand the Board's breadth of skills and experience, and welcome them to Boom.

Meanwhile, as I step down at the end of this meeting, I am delighted to announce the Board has resolved to appoint Melanie Allibon to the role of Chair, effective 27 November 2021. I am delighted to be passing the baton to Melanie, who has already made a substantial contribution to the Board and her appointment will allow for an orderly transition of responsibilities.

I have taken the opportunity to retire from the board when the company is well positioned for future success. That would not have possible without a skilled team and I take this opportunity to express my appreciation for all our employees.

I particularly thank Tony Spassopoulos and his executive team for their dedication to the business.

I also take this opportunity to thank my fellow directors and our shareholders, who have shared our successes on the return to profit as well as the downsides. It has been an honour to serve you over the past five years.

I will now ask the Managing Director, Tony Spassopoulos, to provide his address.

MANAGING DIRECTOR'S ADDRESS

Thank you, Max … and good morning everyone.

As outlined by the Chairman, this year was a solid result and our strategy of diversifying our services across multiple sectors and targeting recurring revenue streams is on track. The company is well positioned for continued profit growth.

Our core service is to provide industrial lifting solutions which require specialist capability, precision and technical skill. We are differentiated by the robustness of our safety systems, our services and our experience supporting the mining and resources, renewable energy, infrastructure and telecommunications sectors. These are all growth industries which demand high quality and safe work practices.

We provide engineering services, supervision and project management, using a fleet of small, medium-sized and large-scale cranes and travel towers. Our crews operate around the clock on projects, shutdowns and maintenance programs.

Safety

At the heart of everything we do – is safety.

I would like to begin with our focus on building our safety culture through training and leadership initiatives, such as increasing engagement with our people in the field.

As part of our national safety program our managers and supervisors have regular safety updates which includes managing COVID and environmental factors, weekly safe start Monday toolbox meetings and participating in risk reviews before starting a task. That is reflected in our safe act observations frequency rate (SAOFR) which increased 28% to 8,242 in the 2021 financial year.

We have an updated health, safety, environment and quality (HSE&Q) plan and aim to uphold best practice environmental standards. During 2021 we had no lost time injuries and our total recordable injury frequency rate (TRIFR) was at 5.1, the lowest in over a decade.

While these results are positive, there is room for continuous improvement as we strive towards our goal of zero harm.

Having a strong safety record contributes to being an employer of choice and maintaining experienced teams helps us renew contracts and win new projects.

First Quarter Results

At the time of the 2021 financial results, we projected further growth in 2022 despite the ongoing impacts of COVID-19 and regulations to contain the pandemic. These have included lockdowns, labour shortages and supply chain restrictions.

I am pleased to advise the company is performing well. While managing for the pandemic has increased costs, our business has progressed on plan.

First quarter revenue was $60.2 million, an increase of circa 40%. Strong revenue growth came from wind farm and infrastructure projects and our mining customers scheduling major shutdowns in the first quarter. Half of Boom Logistics' annual revenue is generated from the renewables, energy, telecommunications and infrastructure sectors and we are building on this as we diversify our services.

Our first quarter earnings before interest, tax, depreciation and amortisation (EBITDA) was circa $11.8 million, an increase of 27% on $9.3 million in the first quarter of the previous year. First quarter EBIT was circa $3.0 million, double the previous corresponding quarter. While labour and mobilisation costs were higher, we benefited from scale and increased utilisation of our fleet.

A major contributor to our return to profitability has been our decision to move away from marginal work and focus on sectors that need engineering expertise and provide recurring revenue streams.

Total asset utilisation was strong for the first quarter at 80% utilisation compared to 72% for the same time last year.

Return on capital employed is circa 6.0%, an improvement of 2.0% from the previous corresponding quarter. We remain focused on effective capital allocation and have maintained cost control while investing in assets that can be used efficiently.

Our safety performance continued to improve in the first quarter.

Turning to our operations, I would like to provide an overview of how our business units performed last year and progress for the current year.

Crane services

Our Crane Services division provides mining maintenance and engineered specialised lifts for shutdown, industrial and programmed maintenance. 2021 financial year revenue was $92.9 million, slightly lower than the previous year as we experienced project delays and pandemic-related supply chain management issues. Our Central Queensland and Western Australian operations, for example, were affected by border closures, site restrictions and labour shortages.

Major shutdowns were completed for companies including Boddington Gold, BMA and Bulga, and we renewed contracts with the Anglo-American group, Australian Paper, Coronado Curragh and in the Hunter Valley we signed a new contract with BHP's Mt Arthur mine.

We continued to diversify into new sectors with a contract to provide maintenance services for FQM. Australia is one of the world's largest nickel producers and we believe our expansion to service this sector will open significant opportunities, complementing our existing services for commodities such as iron ore, aluminium and gold in Western Australia.

A highlight was securing the Smelter Campaign Maintenance 2021 (SCM21) project for BHP Olympic Dam in South Australia. We invested in new assets to service the project. The shutdown program is expected to generate revenue of circa $15 million, in the first half of FY22, which is in addition to our ongoing work. At its peak we will engage 150 Boom crew and 40 cranes on site.

Our Central Queensland operations continue to perform well with ongoing maintenance and shutdown activity. Although our readi labour hire operations continued to be constrained by pandemic-related delays and lockdowns, we are focusing on new customer opportunities with value-added services, as COVID restrictions ease.

Projects

Our project work comprises of wind farm construction and maintenance, rail and infrastructure construction, and high voltage powerline construction. Revenue from projects in the 2021 financial year was $37.5 million, broadly in line with the previous year.

Having targeted the renewable energy sector for growth we now have teams with considerable skills and expertise. In the 2021 financial year, we successfully completed a wind farm project at Moorabool South and began work at Bango wind farm, which is expected to be completed in December 2021. These will be the largest onshore wind turbines installed in Australia so far.

Demand for wind farm energy is increasing, supported by the Australian Government's renewable energy target. As governments determine commitments to net zero emissions, we expect continued sector growth with maintenance works and major new wind farm construction projects over the next three years.

Another focus for growth is the infrastructure sector. We have been able to secure packages on flagship projects including Snowy 2.0, where we have assisted the positioning of major tunnel boring machines, to construct tunnels and link two dams. Other highlights have included projects for Martinus Rail in Queensland and the Armadale Road Bridge at Cockburn in Western Australia. We have a strong pipeline of new business spanning various infrastructure and civil engineering projects in 2022.

We continue to target projects in growth sectors which allow appropriate margins for our work.

Travel towers

Our travel towers business supports 5G and data network installation, renewable energy and high-voltage transmission 'string line' activities, and power grid infrastructure works.

While 2021 revenue was reduced as lockdowns led to deferrals, we continue to benefit from solid energy sector demand.

We are participating in a major new high voltage project in the Western Australia Pilbara region where we are providing up to eight large travel towers and specialised labour. Our new business pipeline in this sector shows significant growth opportunities over the next five years.

Although the telecommunications sector was impacted by recent state government restrictions, we expect activity to improve as the 5G and NBN rollout into regional areas and metropolitan work continues in 2022.

Demand for large travel towers in the wind farm sector is increasing for blade maintenance, new transmission line and substation project works. We anticipate new revenue opportunities in the renewably energy sector and with upgrades to the electricity grid.

Asset management

As part of our asset recycling program, we disposed of older and under-utilised assets in FY21. We also improved utilisation rates, with crane usage increasing by 5% to 81% and travel tower utilisation up 9% to 66%.

We have adopted a strategy of capital renewal to refresh our assets, which equips our fleet with new technology, improving efficiency with less carbon emissions and reducing maintenance costs. Using a flexible asset rental model also optimises use of resources and performance for customers.

In the 2021 financial year, our investment was $14.7 million in new cranes and travel tower assets in order to secure new and ongoing work.

The new cranes are working at the SCM21 shutdown at Olympic Dam and at the end of the project will be redeployed to WA and central Queensland to support growth opportunities in the second half of FY22. The new travel towers will arrive in early 2022, which will be deployed to wind farm and energy projects.

In the 2022 financial year, we will continue to sell older and under-utilised assets and plan net capital expenditure of circa $15 million to support and secure future contracts.

20 Years

As outlined in the Annual Report, the 22nd December 2020 was a significant day for Boom, marking 20 years since the company was incorporated as 'The Australian Crane Company'.

We have become an industry leader with a broad customer base which includes leading blue-chip companies.

This is a good moment to reflect on the contribution of all those people who have served the company over that time – including those with us today. We value the hard work and dedication of our people and their continuing passion for safety and customer service, that helps make our business strong.

I would like to acknowledge our Chairman, Max Findlay and non-executive Director, Jack Hebiton, who have announced their retirement.

I recognise Jack's vision and commitment to establishing Boom as a national lifting services company 20 years ago and Max for his guidance and direction which has returned the company to profit.

Also, I thank the Board for their support over the last 12 months and look forward to working with Melanie Allibon as the incoming Chair and the new Board.

Before turning to our outlook, I would like to take this opportunity to thank our customers, suppliers, and shareholders who have supported us in the past year.

FY22 First Half Outlook

We have had a strong first quarter, which included major shutdowns and construction projects, and the company is on track to achieve first half revenue of circa $115 million and EBITDA of circa $22 million, notwithstanding any further COVID cost impacts.

While we expect labour shortages, project delays and supply chain constraints will continue, we believe the recent relaxation of lockdowns and border closures will ease the challenges faced in mobilising resources to site.

The second half of FY22 is solid with shutdowns and maintenance planned in the mining sector, and is dependent on securing new construction projects to replace the Olympic Dam SCM21 and Bango wind farm projects.

We have a clear strategy for growth, which is delivering, and with a sound financial position are well placed to take advantage of new business opportunities.

We look forward to growing the business profitability and improving returns this financial year.

Finally, I would like to recognise and thank our employees for their continued focus on safety, adapting to changed conditions and their commitment to Boom's success.

Further information:

Tony Spassopoulos
Managing Director & Chief Executive Officer
+613 9207 2500

Media

Ashley Rambukwella (FCR)
+61 2 8264 1000
a.rambukwella@fcr.com.au