

Boom Logistics Limited Announcement

23 February 2009
ASX code BOL

Boom Logistics – Half Year Result

Recovery on track

BOOM Logistics (ASX: BOL) today announced a net profit after tax ("NPAT") for the half year ended 31 December 2008 of \$13.8 million, in line with the guidance issued 29 January 2009.

The NPAT of \$13.8 million was an improvement on the result from the restated 2008 half year result of \$13.2 million.

Achievements

Of significance during the half year has been:

- the completion of a \$175 million 3 year revolving credit facility and a \$32 million working capital and general transactional banking facility, in place until September 2011;
- improvement strategies developed and delivered within the crane hire business demonstrated by margin improvement and strong improvement in the utilisation levels of the core wet hire crane fleet;
- continuing strong operating cash flows facilitating debt reduction with a consequent decrease in the gearing ratio (net debt / equity) from 92% at 30 June 2008 to 86% at 31 December 2008. This was achieved whilst also continuing to invest in the business, with capital expenditure of \$20.4 million during the 6 month period; and
- a further strengthening of the management team.

Business unit results

Crane Hire

The Crane Hire division was the standout performer with revenue of \$146.3 million representing a 24% improvement on the same period in the prior year (1H08: \$118.1 million) and an EBIT of \$27.5 million representing a 63% improvement (1H08: \$16.8 million).

The restructure of the Melbourne mobile operations was announced on 16 February 2009, which is expected to improve the result of this business unit from an annualised EBIT loss of \$1.6 million to an annualised EBIT profit of \$0.6 million. In line with business strategy, the restructured business will maintain the existing contracted customer base and proactively target project work.

Boom Sherrin

The Boom Sherrin Management team is now stabilised and the business is showing signs of recovery. Over investment in mid sized insulated travel towers has impacted returns and whilst it has not recovered to the same levels of profitability as the prior year, the Boom Sherrin business has improved from 2H08. Revenue has decreased on the prior year to \$47.3 million (1H08: \$50.4 million), returning an EBIT of \$9.6 million (1H08: \$11.9 million) primarily due to the previously disclosed integration issues in the Melbourne business. The result compared favourably to the 2H08 EBIT result of \$7.8 million.

James Group

The margin erosion that has occurred within the business is predominantly related to the James Group. The James Group was impacted by lower than expected new and used crane sales, with reductions in both revenue and EBIT. Whilst this is consistent with the performance of companies throughout this sector, it is nonetheless disappointing. James Group revenue has decreased on the prior year to \$29.9 million (1H08: \$33.6 million), returning an EBIT of \$1.4 million (1H08: \$4.0 million).

Dividend

Given the current market uncertainty, the Board is of the view that it is prudent to pay a 1 cent dividend for the first half, with the objective of reassessing the full year dividend payment when a clearer forward view of market conditions is available. This level of dividend will allow Management greater flexibility in terms of capital management.

The interim dividend will be paid on 8 April 2009 for shareholders on record as at 3 March 2009.

Business Initiatives

Management's initiatives in the second half include:

- positioning the business to capitalise on Government initiatives in the infrastructure sector;
- strengthening relationships with the contracted customer base;
- continuing to invest in the business in high capacity equipment;
- cost management across all Business Units;
- inventory reduction within the James Equipment business;
- investigating opportunities presented by the government's investment allowance, both internally and for our James Equipment customers; and
- the further pay down of debt through operating cash flows and asset sales.

Outlook

As noted in our announcement on 29 January 2009, market analysts have been forecasting a 2009 net profit after tax of between \$22 million and \$29 million. Based on Boom's current visibility over its contract base and project pipeline, management still believe that an operating result of between \$22 million and \$29 million (2008: \$18.6 million) is a fair measure of the risk profile in the prevailing market conditions.

CEO Commentary

CEO Brenden Mitchell said: "With financing locked in until September 2011, Boom is well positioned in the industry to take advantage of opportunities in the future. Given where we were 12 months ago, having renegotiated debt and delivered a significant operational turnaround in our core business of crane hire, I believe we are well positioned for the uncertain times that lie ahead."

"As a team, we will continue to work with our customers to achieve the safest and best service delivery outcomes, ensure our internal systems and processes continue to improve and we will drive for an improved fleet mix. The Board and I believe the Boom recovery is on track."