Lifting Solutions
for Australia

BOOM
LOGISTICS

2010 ANNUAL GENERAL MEETING OF BOOM LOGISTICS LIMITED

Addresses by Chairman and Managing Director

Chairman's Address

In this year's Annual Report to shareholders I commented on the difficulties that companies in the industrial services sector had faced during the Global Financial Crisis itself and in the period of adjustment that has followed. Boom's customers responded to the economic downturn by reducing their activities and this naturally resulted in reduced income for our businesses. The impact on Boom was a drop in revenue of almost 20% in FY10. Even the resources and infrastructure development sectors paused in their growth trajectories as demand uncertainties emerged and funding availability tightened. This led to existing projects slowing and new projects being deferred.

Against this backdrop the Company announced a full year Net Profit after Tax of $6.5 million for the year ending 30 June 2010, and an underlying after tax trading profit, excluding one-off items, of $4.1 million. This reflected reduced operating revenue and squeezed operating margins over the year, particularly during the first half to December 2009. We noted at the time of our full year results announcement that there had been a marked improvement in the final Quarter of the 2010 Financial Year. We are seeing this improvement continue into the 2011 Financial Year, with a solid September Quarter behind us. These trends will be evident in the CEO's presentation to follow.

Companies clearly have no control over the macroeconomic environment in which they must operate, but they are able to adjust their business model and strategic priorities to respond to external change. This has been a primary activity for both your Board and management over the past 18 months. Much has been achieved but further adjustments and fine tuning will be required through the current Financial Year to ensure that we remain well placed to enjoy the benefits of emerging opportunities. Our CEO will provide a more detailed picture during his address but I would like to take a few moments to outline the extent of the initiatives already completed as well as those underway.

Boom's value proposition to customers provides most scope to larger companies in the industrial, resources and infrastructure sectors, particularly those in the so called blue chip category. They are more inclined to value the processes and procedures that underpin our occupational safety, service quality and environmental standards, as well as the level of technical skill inherent in our lifting solutions offering. The flexibility of a national footprint and a large diverse equipment fleet are also advantages in servicing this customer base. These competitive advantages do not carry through to the casual equipment hire markets in the capital cities and their environs where building services predominate. Boom has repositioned its business activity accordingly. During the second half of the 2010 Financial Year we announced 3 year contract wins to support BHP Billiton's North-West iron ore operations; Anglo American's metallurgical coal operations in Queensland and Rio's Pilbara iron ore operations.

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In the past, Boom's business mix was heavily biased towards industrial maintenance support. We continue to have a strong presence in this activity but during the past year there has been deliberate emphasis on business development in supporting major project work in the resources, infrastructure and utilities sectors. Our role in the Gorgon Project and the recently announced contract to provide crane and lifting services to Suzlon Energy for the Oaklands wind farm in Victoria are examples of this broadening of our operating base.

We have also been progressively upgrading our crane fleet to reinforce our natural competitive advantage, whilst also positioning Boom for the increasing opportunities in the resources, infrastructure and utilities sectors. We have disposed of 86 low capacity older cranes including 38 in the last year, and have made an investment of $42 million in new mobile cranes with emphasis on bringing larger lifting capacity equipment into the mix. Additions to the fleet in FY10 included our first 750 tonne crawler crane, the first of its kind in Australia.

An essential component of our business restructuring has been a review of individual business unit performances. This has encouraged us to exit our James Equipment business. This business was acquired in 2006 and during its first three years provided an acceptable return on investment. The conclusion of the Tadano sales agreement during the year and the impact of a strengthening local currency on used crane sales have been critical factors in reaching our decision. In the 2010 Financial Year the James business contributed a net operating loss of $1.2 million and its activities have become non-core to Boom. Its closure will re-focus Boom on its core crane logistics business.

The various restructuring initiatives have been substantially assisted by a strengthened balance sheet, with our gearing level reducing from 96% to 38% at the close of the 2010 Financial Year and a further reduction to 35% as at September 2010. Debt was retired through a combination of proceeds from the equity raising earlier in the year and principal repayments made from operating cashflows.

Shareholders will be well aware that just prior to the close of the Financial Year Boom announced to the market that it had received a highly conditional, confidential and incomplete proposal from private equity group Archer Capital, to acquire Boom at an indicative price of 52 cents per share. After significant evaluation work with the assistance of external advisors, your Board rejected this indicative proposal on the basis that it materially undervalued the Company and was not an offer capable of being accepted by shareholders. This rejection was formally announced to the market on 29 June 2010. The proposal was non-binding, highly conditional and provided no certainty to Boom shareholders. The relationship between Archer and the McAleese Group, now a 7.5% shareholder of Boom and a major crane services competitor in Queensland, also remains obscure.

There is nothing unusual in Private Equity investors seeking out undervalued companies in the market, particularly where recovery is at a relatively early stage and a turnaround situation offers leverage. Your Board has indicated a willingness to fully consider any value enhancing opportunity that reflects full and fair value to all shareholders, providing it presents clarity and certainty.

We have made a solid start to the 2011 Financial Year, building upon the sharp improvement in performance in the June Quarter of 2010. We continue to see strong evidence of improving market conditions and we continue to win major contracts across the industry and project sectors we are prioritising. The restructuring and repositioning activity over the past eighteen months has improved our competitive position and our strong links to the burgeoning resources, infrastructure and utilities sectors provide a solid platform for further gains in the current year.

The dedication of management and employees to enhancing the Company's performance and outlook has been a critical success factor in what has been a challenging economic environment. I would also like to acknowledge the contribution and support from fellow directors throughout a demanding year.

I will now hand over to the Company's Chief Executive, Brenden Mitchell and in doing so remind you that there will be plenty of time available for questions once we move into the formal part of the meeting.

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Managing Director's Address

The past financial year was both challenging and a year of transformation as we continued to reshape our business.

As stated in our Annual Report, the first nine months of the year were particularly difficult with low activity in metropolitan areas and industrial maintenance markets as our customers reduced activity to meet the challenges of the GFC.

The total reduction in revenue year on year was $72 million. Whilst first half revenue in crane logistics was down by $39 million the second half showed improvement on both the first half of FY10 and the same period in the preceding year. In the first half, Boom Sherrin suffered a $7 million revenue reduction, the majority of which occurred in the commercial construction sector. In contrast, Boom Sherrin's revenues improved in the second half, largely due to its success in the utilities and telecommunications sectors. Boom's capital equipment sales business, James Equipment, accounted for $26 million of the groups revenue reduction.
The revenue reduction in each of our businesses put pressure on our earnings and balance sheet position.

A number of key actions were required to ensure we were able to continue on our journey of transforming the business to drive stronger leverage off our asset base and to deliver better returns for our shareholders.

- Our managers mitigated the impact on revenue by taking decisive actions around our variable cost base. Underperforming businesses were restructured, including headcount reductions, mostly in the metropolitan areas.
- With the support of our shareholders, $87 million of equity was raised to deleverage and strengthen our balance sheet to position for future growth.
- With this improved balance sheet our people delivered on several critical contract wins which contributed to an improved earnings outcome in the second half of the year and will form part of a solid base for future sustainable income.

Given the intense price pressure associated with lower market activity and the capital intensive nature of our business these actions were critical in delivering a trading NPAT of $4.1 million for the year.

In addition to the actions completed in FY10, further reshaping has occurred in the first quarter of the current financial year, namely:

- Our Melbourne Mobile business was closed in August.
- Further headcount reductions have been made in Pt Kembla and Brisbane.
- Underutilised equipment from these businesses has been redeployed to projects, the Coal areas of the Hunter Valley and the Bowen Basin and to the Iron Ore areas in Western Australia.
- Two depot consolidations were completed in the Boom Sherrin business.
- We have decided to exit the James Equipment business. A capital equipment sales business is not consistent with our strategy or value proposition. We must focus our energy on our core business and ensure we are always able to provide the appropriate fleet and value proposition for our customers.

Costs associated with these decisions in this first half will be in the order of $2.5 million, however going forward we believe these costs will be more than offset by the improved earnings from assets and the removal of distractions from underperforming businesses.

These actions, along with the investment of $42 million in mobile cranes in FY10 that specifically meet the needs of our customers in growth markets, most clearly illustrates our commitment to reposition the business to drive the operational leverage opportunities before us.

I will speak more of the operational leverage that comes with Boom being a capital intensive and people intensive business a little later.

Importantly, each decision we have taken is aligned with our strategy which is premised on:

- Safety – for our people, our customers, the community and the environment; and
- Shareholder Value – to maximise Boom's value to our shareholders

It is about focusing on our core business, improving our return on capital, and ensuring each element of our capital base is working harder.

A key part of our strategy is our core value proposition which has as its first element the right equipment. However our value proposition is much more than this. Operational capability, engineering expertise and safety & quality systems all have a major impact on Boom's ability to win contracts in our key markets, which have growth forecasts well above that of the general economy. This value proposition has ensured contract wins including BHP Billiton, Rio Tinto, Newmont Boddington Gold, Anglo American Metallurgical Coal, and our recently announced contract with Suzlon to erect the AGL Oaklands wind farm in western Victoria.

Our first quarter results show a significantly improved trading EBIT result of $6.5 million. This is higher than the entire first half result of $4.8 million in FY10.

Our first quarter crane logistics EBIT of $11 million was better than both the 4th quarter of FY10 and the first half FY10 EBIT result of $9.3 million. This was achieved on lower wet hire utilisation than that experienced in the fourth quarter of FY10 offering scope for further gains. Our utilisation has been impacted by the lost time in moving cranes to growth areas and some weather impacts in the Bowen Basin. However, revenue and utilisation in the current financial year have been of a higher quality. As our recently won contracts mature, particularly in industrial maintenance within the resources sector, performance will further improve.

The Boom Sherrin result in the first quarter was impacted by weather events with significant rains in Queensland and Victoria, and some specific contracts finishing earlier than expected and the next phase of projects starting a little later. Projects are now underway, our run rate is improving and we do see a good pipeline in the telecommunications and utilities sectors.

What is clear is that there is a two speed economy with the resources, energy, utilities and specific infrastructure sectors moving at a higher pace than the balance of the economy.

Our focus on the faster growing markets where our value proposition is winning contracts gives us confidence that we can move towards achieving the EBIT margins that have previously been reported by this business.

Over the course of the next 12 to 18 months we look to further improvement as our Strategy is implemented and we realise the operational leverage available in this business.

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What do I mean by operational leverage? Operational leverage is the opportunity to improve returns on the capital base by taking actions to optimise asset utilisation and by taking advantage of the economic recovery. The best example of this is in our core crane logistics business.

There are a number of elements to operational leverage:

1. With a high capital base, when asset utilisation increases, a significant proportion of the revenue increase drops through to the profit lines.
2. When demand increases, particularly in casual markets, then price uplift can follow just as price pressure comes when demand goes down.
3. Markets that operate on a continuous production basis allow utilisation greater than the standard 8-hour day.

This is why I believe that we will see continuing improvement over the next 12-18 months. The business has significant operational leverage as our crane logistics results show, and we are moving more assets to, and placing a greater emphasis on, high growth markets where our value proposition is acknowledged.

We are committed to delivering returns that, on average through the cycle, exceed our weighted average cost of capital. Importantly in the recovery phase we must ensure new capital delivers strong returns and we are increasing the returns on our current asset base.

In closing I would to recognise our stakeholders in the context of our values.

Safety is a key part of our value proposition and I would like to recognise the efforts of our people and the support of our customers in driving for zero harm.

I would also like to thank our customers both long term and more recently acquired for their confidence in Boom.

I would like to acknowledge that in times of significant change and during periods of economic downturn our employees bear a significant amount of stress. Many of our people, particularly those who have implemented change, have worked tirelessly to put in place what is required to position this business to grow, and return to a position of profitability that our shareholders have a right to expect. Others have unfortunately lost their jobs due to restructuring.

To all our employees past and present and for the team work exhibited in the last twelve months I say thank you for your contribution.

Our Board has worked very hard with the executive team over the last two years to define and drive a sustainable strategy that will enable appropriate returns to our shareholders.

We will continue to reshape and build this business in the next twelve months so that we become recognised as a focused industrial services business that can deliver superior value to its shareholders.

Thank you for your support.