

## Boom Logistics Limited Announcement

4 November 2009  
ASX code BOL

### Boom Logistics Limited – Market Update

#### Market overview

Whilst general market sentiment seems to be improving, the first four months of the financial year have been below expectations. Although Boom's cost cutting initiatives have been successful, revenue per working day has been below that of the second half of FY09. Looking to late FY10 and beyond, the outlook is stronger with Boom well positioned to benefit from a return to more normal levels of economic activity and the strong project pipeline.

#### Project pipeline

Boom has experienced a significant increase in tender activity and project pipeline enquiries over the last 4 months. Whilst this activity is strong, the lead times on tenders and projects can be 3 to 12 months and therefore this activity is not expected to convert into workflow until late in the current financial year and into FY11.

Boom can see substantial market opportunities going forward. There are over \$180 billion of major projects forecast within Australia over the next 3 years that have crane and lifting equipment hire opportunities associated with them.

These major project opportunities include:

- LNG projects – alliances in place and business positioned for major projects;
- resources – contracts and relationships in place and business positioned for project expansion work;
- schools building program – particularly relevant for Boom Sherrin;
- government infrastructure – significant opportunities for crane hire;
- renewable energy – relationships established with major participants; significant incremental revenue opportunities emerging; and
- telecoms and utilities – travel tower opportunities for line maintenance and mobile tower rollouts.

Boom has tendered successfully or joined with industry partners to provide services associated with a number of these projects and expects to announce further details in this respect in due course.

Boom is well positioned to capitalise on the strong project pipeline with its existing fleet, the large capacity fleet additions (noted below) and its nationwide network.

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**Fleet developments**

Boom has previously articulated its strategy of progressively rebalancing its fleet mix towards large capacity cranes. With a more balanced fleet, Boom is able to capture higher operating margins as well as positioning the Company to participate in the pipeline opportunities in the resources sector and general infrastructure project work.

Boom is taking delivery of a 750 tonne crawler crane in December 2009, the only crawler crane of this type in Australia. The crane will be commissioned and ready for use by January 2010 and the sales pipeline for this crane is very strong.

Two large mobile cranes, a 450 tonne and a 400 tonne, will also be delivered and commissioned within the next 6 months.

All these cranes have been negotiated on favourable payment terms which will give Boom the opportunity to accelerate earnings prior to making payment.

**Debt position**

As at 31 October 2009, Boom's net debt position was \$215 million, a \$20 million reduction compared to 30 June 2009. This was achieved whilst investing \$5.2 million of capital into the business during the period.

As previously communicated, as a consequence of the market downturn in the second half of FY09 Boom would have breached its Earnings Leverage Ratio covenant as at 30 June 2009. However, prior to 30 June 2009, Boom received an unconditional waiver in relation to this covenant from its Banking Syndicate.

Whilst pressure on the Earnings Leverage Ratio covenant has continued as expected, Boom is in compliance with all other banking covenants and has both met and exceeded all required payments under its Syndicated Facility Agreement, finance leases and operating leases.

Boom continues to work positively and transparently with its banks to resolve the Earnings Leverage Ratio covenant issue and will be in a position to announce the outcome of the discussions with its banks shortly.

**Tax refund status**

Boom is expecting a further \$8.8 million plus interest from tax refunds from the 2002 to 2004 financial years and the 2009 financial year. This is in addition to the \$14.7 million plus interest already received.

Boom has completed and lodged additional tax adjustments for the financial years ended 30 June 2002 and 30 June 2003. The 30 June 2004 claim is currently being finalised. Boom expects to receive \$3.9 million tax refund plus interest for these claims in the coming months.

Boom has recently lodged its tax return for the 2009 financial year and expects to receive a refund of \$4.9 million by the end of November 2009.

## **Outlook**

Previous FY2010 guidance indicated an EBITDA of \$65 million, with the expectation of similar conditions to those experienced in second half FY2009. Boom is now revising this EBITDA guidance to \$50 - \$60 million.

This guidance takes account of the operating performance year to date which is trending below expectations and second half FY09 daily revenue levels. This reflects the patchiness in economic recovery across the various industry sectors that Boom services. Whilst the Coal sector has been solid, those industries focused on the processing of resources have significantly reduced their maintenance activity until production resumes to more normal levels. This has particularly impacted on NSW and Western Australia. Whilst it is clear that general market sentiment is ahead of activity in metropolitan short term hire and industrial maintenance activity, this should turn quickly as economic and production activity resumes to more normal levels.

This guidance assumes only limited improved performance from a number of current and future opportunities, which is considered prudent given delays in the commencement of many of the major projects that have been announced over the past twelve months.

## **Strategic review**

Boom's strategic review is continuing. Further updates will be provided in due course.

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